JU TENG INTERNATIONAL HOLDINGS LIMITED
巨騰國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

JU TENG 07

annual report 2007

Stock Code: 3336

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Cheng Li-Yu
Mr. Cheng Li-Yen
Mr. Huang Kuo-Kuang
Mr. Hsieh Wan-Fu
Mr. Lo Jung-Te
Mr. Tsui Yung Kwok

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Chwo-Ming
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

AUTHORISED REPRESENTATIVES

Mr. Cheng Li-Yu
Mr. Tsui Yung Kwok

COMPANY SECRETARY

Mr. Tsui Yung Kwok *CA, CPA, ACS*

QUALIFIED ACCOUNTANT

Mr. Tsui Yung Kwok *CA, CPA, ACS*

AUDIT COMMITTEE

Mr. Yu Chwo-Ming
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

Bank of China
Bank SinoPac
Citibank
Fubon Bank
Standard Chartered Bank

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 3311-3312
Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 2 Gua Jing Road
Song Ling Town Economic Development District
Wu Jiang City
Jiang Su
The PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Street
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

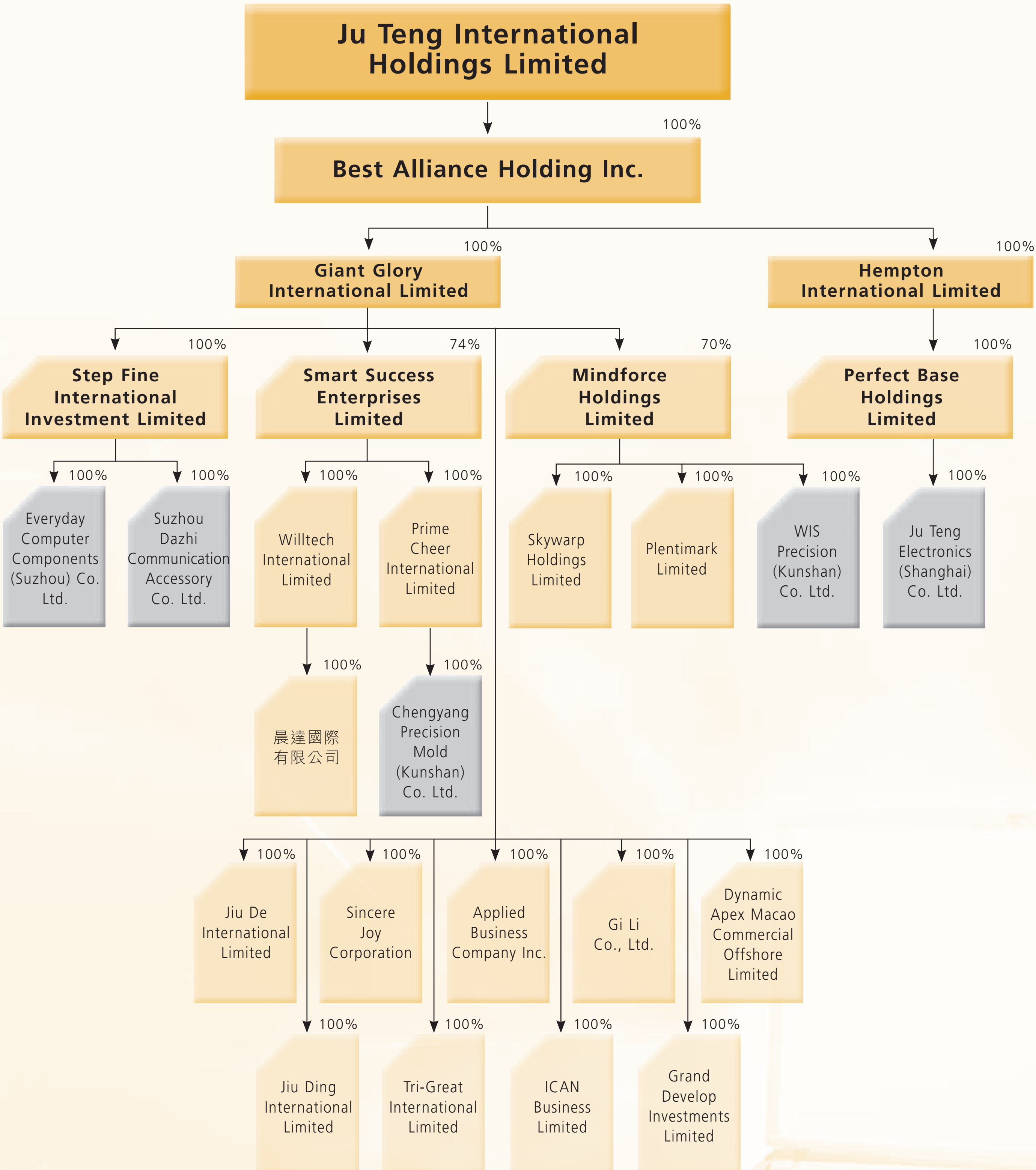
www.irasia.com/listco/hk/juteng

STOCK CODE

3336

GROUP STRUCTURE

As at 8 April 2008



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the annual report of Ju Teng International Holdings Limited (the "Company" or "Ju Teng") for the year ended 31 December 2007.

BUSINESS REVIEW

In 2007, driven by the rapid growth in shipment of notebook computers worldwide, the Group continued to record enormous increase in revenue as turnover increased by 48% from HK$3,558 million in 2006 to HK$5,276 million in 2007, thereby providing fruitful return to the Group. The growth in shipment of notebook computers worldwide is mainly attributable to the acceleration in the pace of notebook computers superseding desktop PCs as well as the strong demand from consumers and emerging markets. Notebook computers have become a general consumer product with the design being the core attraction to the consumers. In light of this, top notebook computer brands introduced products with delicate design and delightful color mix so as to have instant appeal to consumers. Being the major manufacturer of worldwide notebook computer casings, the Group is equipped with certain advanced surface treatment technology such as in-mould decoration injection moulding which directly adheres film to notebook computer's plastic casing by moulding technique and the manipulation of spray painting that creates three-dimensional visual effects. All of which provides a technological platform to tailor make various surface treatment technology solutions for different computer brands that strive to make the design of the casings stand out. Such surface treatment technology is well received by customers and enhanced the average price and earnings of the Group's products, which consummated a win-win situation.

PROSPECTS

Despite the decrease in consumer demand from the United States, emerging markets still have strong demand for notebook computers, the rapid development of which should be able to offset the slump in demand from the United States. As such, the Group is optimistic about its performance in 2008. As notebook computers with colorful and attractive appearances are popular amongst consumers, more computer brands are tempted to make use of advanced surface treatment technology, whereas the introduction of low-priced computers will intensify notebook computers to supersede desktop PCs, the demand for notebook computers is therefore able to maintain a substantial growth. Recognising the importance of the ability to develop state-of-art products, the Group will constantly devote resources in perfecting material applications and to provide more options in surface treatment technology solutions. The Group will also leverage on the technology it mastered so far to enlarge the product range. While the Group's gross profit margin was gradually improving in 2007, it will continue to face the challenge in the coming year triggered by the surge of raw material price, appreciation of the value of Renminbi ("RMB") and the increase in the PRC tax rate. As such, the Group will continue to improve production efficiency and increase the proportion of sales from new products to alleviate these unfavourable effects and, on this basis, to further enhance its profitability.

CHAIRMAN'S STATEMENT

APPRECIATION

I would like to take this opportunity to thank the Board, our shareholders and business partners for their commitment and continuous support. On behalf of the Group, I would also like to express my gratitude to all my dedicated colleagues for their efforts over the past year, without which we would not have achieved so much progress.

Chairman

Hong Kong
8 April 2008

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover and gross margin

The Group continued to record a substantial growth of 48% in terms of turnover in 2007 and reached approximately HK$5,276 million. This is the third consecutive year that the Group had recorded a remarkable growth in turnover since its listing on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 3 November 2005. As the Group benefited from the growing demand for new casing products using in-mould decoration and three-dimensional painting technologies, which had a relatively higher average selling price and higher profit margin. The overall gross profit margin of the Group for the year ended 31 December 2007 increased to 15.1% from 14.2% in 2006.

Operating expenses

Despite the fact that the Group's turnover increased by 48%, the Group's operating costs and other operating expenses, including administrative expenses, selling and distribution costs and other operating expenses remained at a relatively low level of approximately HK$308 million, representing an increase of 17% as compared to that of 2006. The increase in operating costs was mainly attributable to the full operation of the new production plant in Kunshan and the acquisition of mould production plant and the increase in staff costs for the expansion of the Group's operational scale. Due to the operating leverage, the Group operating expenses in 2007 and 2006 only accounted for 5.8% and 7.4% of the Group's turnover, respectively.

Finance costs

Interests on bank borrowings remained at the same level of 2006 at approximately HK$100 million (2006: HK$99 million).

Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company for the year ended 31 December 2007 increased by 102% to approximately HK$410 million from approximately HK$203 million in 2006. The net profit margin of the Group increased to 7.8% in 2007 as compared to 5.7% in 2006. The increase in profitability was mainly attributable to the increase in the Group's turnover, the improvement in gross margin and the stable operating expenses.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with internally generated cash flow as well as banking facilities provided by its principal bankers. As at 31 December 2007, the Group's cash and bank balances amounted to approximately HK$459 million (2006: HK$336 million), representing an increase of 37% as compared with that of 2006.

As at 31 December 2007, the Group had total bank borrowings of approximately HK$757 million, which declined slightly by 10% from that of 2006. All the bank borrowings are matured within one year and at floating interest rates. The Group's bank loans with carrying amounts of approximately HK$644 million (2006: HK$798 million), approximately HK$93 million (2006: HK$30 million), and approximately HK$20 million (2006: HK$12 million) were denominated in U.S. dollars ("USD"), RMB and New Taiwan dollars, respectively.

Management Discussion and Analysis

During the year, due to the increase in trade receivables, the Group's cash flow from operating activities declined to approximately HK$414 million from approximately HK$472 million in 2006. However, as a result of the reduction in acquisition of fixed assets, the Group's cash flow from investing activities improved from net cash outflow of approximately HK$512 million in 2006 to net cash outflow of approximately HK$110 million in 2007. During the year, the Group recorded the net cash outflow from financing activities of approximately HK$83 million (2006: HK$11 million) due to a net repayment of bank borrowings. The Group's net increase in cash and cash equivalents of approximately HK$221 million (2006: net decrease in cash and cash equivalents of approximately of HK$50 million) was primarily attributable to the reduction in acquisition of fixed assets and the decrease in pledged bank balances.

The gearing ratio of the Group, calculated as total bank borrowings of approximately HK$757 million (2006: HK$840 million) over total assets of approximately HK$5,224 million (2006: HK$4,075 million) was 14%, representing an improvement from 21% in 2006. The improvement was attributable to the repayment of bank borrowings and increase in total assets.

PLEDGE OF ASSETS

As at 31 December 2007, the Group pledged land and buildings and machinery with an aggregate carrying value of approximately HK$96 million (2006: HK$604 million), trade receivables of approximately HK$351 million (2006: HK$439 million) and bank balances of approximately HK$49 million (2006: HK$133 million) as securities for bank facilities.

EMPLOYEES

As at 31 December 2007, the Group had approximately 28,000 employees. The Group recorded the staff costs of approximately HK$621 million (2006: HK$468 million). The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee. The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulation of the PRC.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to fluctuation in foreign exchange rates. Since most of the Group's revenue is denominated in USD and most of the Group's expenses are denominated in RMB, the appreciation in value of the RMB will adversely affect the Group's profitability. Accordingly, the Group has entered into forward foreign exchange contracts to mitigate the possible exchange losses relating to the fluctuations in the values of the USD and RMB.

CAPITAL COMMITMENT

As at 31 December 2007, the Group had contracted but not provided for in the financial statements in respect of the acquisition of land and building and machinery amounted to approximately HK$45 million (2006: HK$17 million).

CONTINGENT LIABILITIES

As at 31 December 2007, the Group did not have any significant contingent liabilities.

MANAGEMENT PROFILE

DIRECTORS

Executive Directors

Mr. Cheng Li-Yu (鄭立育), aged 50, is the chairman of our Group. Mr. Cheng Li-Yu is the younger brother of Mr. Cheng Li-Yen and he is one of the founders of the Group. Mr. Cheng started working at San Li Industrial Company Limited which is engaged in spray painting 22 years ago. Mr. Cheng is responsible for the Group's overall corporate strategy, operation management, market planning and the Group's future development. Mr. Cheng Li-Yu was appointed as an executive Director in 15 July 2004. Mr. Cheng is currently the director of Southern Asia Management Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance as disclosed in the section headed "Substantial Shareholders' Interests in Shares" in this annual report.

Mr. Cheng Li-Yen (鄭立彥), aged 54, is an executive Director. Mr. Cheng is the elder brother of Mr. Cheng Li-Yu and he is also one of the founders of the Group. Mr. Cheng started working at San Li Industrial Company Limited which is engaged in spray painting over 16 years and later joined the management of Sunrise Plastic Injection Company Limited in around 2000. Mr. Cheng is responsible for the Group's overall resource planning and plant development. He was appointed as an executive Director on 10 June 2005.

Mr. Huang Kuo-Kuang (黃國光), aged 48, is an executive Director. He joined the Group in February 2001 as a member of the Group's senior management and has been responsible for the Group's daily operations and for overseeing the Group's procurement and operation management of two of its major operating subsidiaries in the PRC, namely, Everyday Computer Components (Suzhou) Co., Ltd. ("Everyday Computer") and Suzhou Dazhi Communication Accessory Co., Ltd ("Suzhou Dazhi"), since their establishment. He was appointed as senior vice president of Everyday Computer and of Suzhou Dazhi in 2002. He has more than 16 years' experience in the computer industry. He is responsible for the planning and accomplishment of the Group's procurement and operation management. Mr. Huang was appointed as an executive Director on 10 June 2005.

Mr. Hsieh Wan-Fu (謝萬福), aged 45, is an executive Director. He joined the Group as senior vice president in 2003. He is responsible for the establishment of quality control system, supervision of the Group's production in spray painting, development of new technology in dust-free spray painting and promotion of the Group's new technology in dust-free spray painting to the Group's customers. Mr. Hsieh was appointed as an executive Director on 25 May 2006.

Mr. Lo Jung-Te (羅榮德), aged 48, is an executive Director. He joined the Group as senior vice president in 2004. He is responsible for the supervision of the manufacture and development of the Group's machinery moulding. He is also responsible for assisting with the Group's expansion of new markets into non-notebook computer casing manufacturing. Mr. Lo was appointed as an executive Director on 25 May 2006.

MANAGEMENT PROFILE

DIRECTORS *(Continued)*

Executive Directors *(Continued)*

Mr. Tsui Yung Kwok (徐容國), aged 39, is an executive Director, the chief financial officer and the company secretary of the Group on a full time basis and is responsible for the overall financial management and company secretarial functions of the Group. He holds a master degree in corporate governance and a bachelor degree in business (Accounting). He is also a member of the Institute of Chartered Accountants in Australia, CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries. Before joining our Group in August 2004, Mr. Tsui had been the chief financial officer of a listed company in Hong Kong. In addition, Mr. Tsui held a senior position in an international accounting firm in Hong Kong and had over 10 years' experience in auditing and providing corporate advisory services. Mr. Tsui was appointed as an executive Director on 10 June 2005.

Independent non-executive Directors

Mr. Yu Chwo-Ming (于卓民), aged 53, is the independent non-executive Director. He obtained his doctorate degree in business administration from the University of Michigan. Mr. Yu is knowledgeable in corporate governance and management. Mr. Yu was an assistant professor of business administration in the University of Illinois and has been a professor of business administration in the National Chengchi University since 1992. He currently serves as a director at HannStar Display Corporation (a company listed on the Taiwan Stock Exchange) and at Yuanta Securities. He was appointed as an independent non-executive Director on 17 June 2005.

Mr. Tsai Wen-Yu (蔡文預), aged 55, is an independent non-executive Director. He obtained his master degree in business administration from the National Chengchi University. He has extensive experience in accounting and corporate governance. Mr. Tsai is a certified public accountant in Taiwan. He is also the supervisor of Hua Nan Financial Holdings Co., Ltd. and is the independent director of Maywufa Company Ltd., both are listed on the Taiwan Stock Exchange. He was appointed as an independent non-executive Director on 17 June 2005.

Mr. Yip Wai Ming (葉偉明), aged 42, is an independent non-executive Director. He has more than 18 years of experience in finance and accounting, and had held senior positions in an international accounting firm, a major European bank and listed companies in Hong Kong, and is currently the chief financial officer of Haier Electronics Group Co., Ltd., a company listed on the main board of the Stock Exchange. Mr. Yip graduated from the University of Hong Kong with a Bachelor's degree in social sciences and from the University of London with a Bachelor's degree in law. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Chinese Institute of Certified Public Accountants. He was appointed as an independent non-executive Director on 25 May 2006.

MANAGEMENT PROFILE

SENIOR MANAGEMENT

Mr. Huang Cheng Pin (黃正斌), aged 42, is an assistant to Mr. Cheng Li-Yu. He joined the Group in 2003. Mr. Huang has over 10 years of experience in the banking field and is responsible for the Group's exports of products and imports of production materials. He also assists the board of Directors in the evaluation of investment projects and the Group's financial planning.

Mr. Chao Min-Jen (趙明仁), aged 39, is an associate vice president of the Group who joined the Group in 2002. Mr. Chao has been working in the industrial and electronics field for over 15 years. He is responsible for assisting in the price determination of the Group's products, and for supporting the sales and marketing function and aftersales services.

Mr. Liu Wei-Cheng (劉為政), aged 50, is an associate vice president of the Group who joined the Group in 2002. Mr. Liu has been working in the electronic goods casing industry for over 19 years. He is responsible for the supervision of the Group's production in plastic injection, the development of new technology in plastic injection and the improvement of the Group's production efficiency.

Mr. Chang Tsun (張圳), aged 44, is an associate vice president of the Group who joined the Group in 2001. Mr. Chang has been working in the metal industry for 21 years. He is responsible for the supervision of the Group's metal stamping and the development of machinery moulding and new technology in metal stamping.

Mr. Lo Chi-Yun (羅啟允), aged 37, is an associate vice president of the Group who joined the Group in 2004. He has been working in the precision plastic injection moulding industry for over 14 years. He is responsible for the development and maintenance of the Group's moulding in plastic injection.

Mr. Lu Fu-Hsing (呂福興), aged 42, is an assistant to Mr. Cheng Li-Yu. He joined the Group in 2003. Mr. Lu has over 17 years of experience in quality control. He was appointed to assist Mr. Cheng Li-Yu in the development of the quality control system of the Group. He is also responsible for the design and enhancement of the Group's quality control.

Mr. Liao Cheng-Yuan (廖正元), aged 48, is an assistant to Mr. Cheng Li-Yu and joined the Group in 2004. He is responsible for assisting with the planning and implementation of the Group's projects. He is also responsible for the introduction of new products and the supervision of the Group's pilot run.

Mr. Satoru Nishizaka (西板悟), aged 61, is an assistant general manager of the Group and joined the Group in 2003. He is responsible for the monitoring and implementation of the Group's quality control in Suzhou Dazhi and Everyday Computer.

REPORT OF THE DIRECTORS

The directors ("Directors") of Ju Teng International Holdings Limited (the "Company") present their report and the audited financial statements of the Company and its subsidiaries (the "Subsidiaries" and together with the Company, the "Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Subsidiaries are set out in note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 99.

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2007.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and the prospectus (the "Prospectus") of the Company dated 25 October 2005, is set out on page 100. This summary does not form part of the audited financial statements of the Group for the year ended 31 December 2007.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 30 and 31 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares ("Shares") on a pro rata basis to the existing shareholders of the Company.

REPORT OF THE DIRECTORS

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of the Subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2007.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity in the financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2007, the Company's reserves available for distribution, as calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to HK$975,919,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 87% of the total sales for the year and sales to the largest customer included therein amounted to approximately 32%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the Directors nor any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) of the Company had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the year were:

Executive Directors:
Mr. Cheng Li-Yu
Mr. Cheng Li-Yen
Mr. Huang Kuo-Kuang
Mr. Hsieh Wan-Fu
Mr. Lo Jung-Te
Mr. Tsui Yung Kwok

Independent non-executive Directors:
Mr. Yu Chwo-Ming
Mr. Tsai Wen-Yu
Mr. Yip Wai Ming

REPORT OF THE DIRECTORS

In accordance with article 108(A) of the Company's articles of association, Mr. Cheng Li-Yen, Mr. Tsui Yung Kwok and Mr. Yip Wai Ming will retire as Directors by rotation and, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from Mr. Yu Chwo-Ming, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming. As at the date of this report, the Company still considers these independent non-executive Directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 8 to 10 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Cheng Li-Yu, Mr. Cheng Li-Yen, Mr. Huang Kuo-Kuang and Mr. Tsui Yung Kwok, all being executive Directors, has entered into a service contract with the Company for an initial fixed term of three years commencing from 1 June 2005, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the service contract, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Each of Mr. Hsieh Wan-Fu and Mr. Lo Jung-Te, both being executive Directors, has entered into a service contract with the Company for an initial fixed term of three years commencing from 25 May 2006, renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the service contract, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Each of Mr. Tsai Wen-Yu and Mr. Yu Chwo-Ming, both being independent non-executive Directors, has been appointed for a term of two years commencing from 17 June 2005 renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

REPORT OF THE DIRECTORS

Mr. Yip Wai Ming, being the independent non-executive Director, has been appointed for a term of two years commencing from 25 May 2006 renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of appointment, subject to retirement by rotation and re-election at annual general meetings of the Company pursuant to its articles of association, and until terminated by not less than three months' notice in writing served by either party on the other.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or any of the Subsidiaries which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 37 to the financial statements and in the section headed "Connected transactions and continuing connected transactions" in this report, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of the Subsidiaries was a party subsisting during or at the end of the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Save as disclosed in note 37 to the financial statements, no contract of significance had been entered into between the Company or any of the Subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

Save as disclosed in note 37 to the financial statements, no contract of significance for the provision of services to the Group by the controlling shareholder of the Company or any of its subsidiaries was entered into.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2007, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in appendix 10 to the Listing Rules were as follows:

(i) Interests in Shares

Name of Director	Nature of interest	Number and class of Shares held *(Note 1)*	Approximate percentage of shareholding
Mr. Cheng Li-Yen	Beneficiary of a trust *(Note 2)*	273,556,986 (L) Ordinary Shares	27.36%
Mr. Cheng Li-Yu	Founder of a discretionary trust *(Note 2)*	273,556,986 (L) Ordinary Shares	27.36%
	Beneficial owner	29,564,000 (L) Ordinary Shares	2.96%
	Interest of spouse *(Note 3)*	10,518,046 (L) Ordinary Shares	1.05%
Mr. Huang Kuo-Kuang	Beneficial owner	2,423,866 (L) Ordinary Shares	0.24%
	Interest of spouse *(Note 4)*	5,742,631 (L) Ordinary Shares	0.57%
Mr. Hsieh Wan-Fu	Beneficial owner	5,132,432 (L) Ordinary Shares	0.51%
Mr. Lo Jung-Te	Beneficial owner	5,967,942 (L) Ordinary Shares	0.60%

REPORT OF THE DIRECTORS

Notes:

1. The letter "L" denotes a long position in the Shares.

2. The Shares were registered in the name of Southern Asia Management Limited ("Southern Asia"), which was wholly owned by Shine Century Assets Corp., the entire issued share capital of which was beneficially owned by the Cheng Family Trust which was founded by Mr. Cheng Li-Yu. The beneficiaries of the Cheng Family Trust include, among others, Mr. Cheng Li-Yen and Mr. Cheng Li-Yu. Mr. Cheng Li-Yen and Mr. Cheng Li-Yu were deemed to be interested in all the Shares in which Shine Century Assets Corp. was interested by virtue of the SFO.

3. Mr. Cheng Li-Yu is the husband of Ms. Lin Mei-Li and he was deemed to be interested in all the Shares in which Ms. Lin Mei-Li was interested by virtue of the SFO.

4. Mr. Huang Kuo-Kuang is the husband of Ms. Wang Shu-Hui and he was deemed to be interested in all the Shares in which Ms. Wang Shu-Hui was interested by virtue of the SFO.

(ii) Interests in underlying Shares

Name of Director	Nature of interest	Number of underlying Shares *(Note 1)*	Approximate percentage of shareholding
Mr. Huang Kuo-Kuang	Beneficial owner	3,000,000 (L) *(Note 2)*	0.28% *(Note 3)*
Mr. Hsieh Wan-Fu	Beneficial owner	1,500,000 (L) *(Note 2)*	0.14% *(Note 3)*
Mr. Lo Jung-Te	Beneficial owner	1,500,000 (L) *(Note 2)*	0.14% *(Note 3)*
Mr. Tsui Yung Kwok	Beneficial owner	2,800,000 (L) *(Note 4)*	0.27% *(Note 3)*
	Beneficial owner	998,000 (L) *(Note 2)*	0.09% *(Note 3)*

Notes:

1. The letter "L" denotes a long position in the underlying Shares.

2. The long position in the underlying Shares comprised 3,000,000, 1,500,000, 1,500,000 and 998,000 options granted to Mr. Huang Kuo-Kuang, Mr. Hsieh Wan-Fu, Mr. Lo Jung-Te and Mr. Tsui Yung Kwok respectively by the Company on 7 November 2006 under the post-IPO share option scheme (the "Post-IPO Share Option Scheme") of the Company and such share options remained outstanding as at 31 December 2007.

3. This percentage was calculated on the basis of 1,052,800,000 Shares in issue immediately following the exercise in full of all the options granted under the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") of the Company and the Post-IPO Share Option Scheme at the same time and assuming that there would be no change in the total issued share capital of the Company other than as enlarged by the exercise of these options prior to the exercise in full of these options.

4. Mr. Tsui Yung Kwok's long position in the underlying Shares comprised 2,800,000 options granted to him by the Company on 17 June 2005 under the Pre-IPO Share Option Scheme and such share options remained outstanding as at 31 December 2007.

Save as disclosed above, as at 31 December 2007, none of the Directors or chief executive of the Company had an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or was required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in appendix 10 to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 31 to the financial statements, at no time during the year were there rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or minor children (natural or adopted), or were such rights exercised by them; or was the Company or any of the Subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

The Company operates the Post-IPO Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details are disclosed in note 31 to the financial statements.

The following share options were outstanding under the Post-IPO Share Option Scheme during the year:

Name or category of participant	Number of share options: At 1 January 2007	Number of share options: Granted during the year	Number of share options: At 31 December 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares at grant date of share options*** HK$ per share
Directors							
Mr. Huang Kuo-Kuang	1,000,000	–	1,000,000	7-11-2006	7-11-2009 to 6-11-2016	1.56	1.56
	1,000,000	–	1,000,000	7-11-2006	7-11-2010 to 6-11-2016	1.56	1.56
	1,000,000	–	1,000,000	7-11-2006	7-11-2011 to 6-11-2016	1.56	1.56
	3,000,000	–	3,000,000				
Mr. Hsieh Wan-Fu	500,000	–	500,000	7-11-2006	7-11-2009 to 6-11-2016	1.56	1.56
	500,000	–	500,000	7-11-2006	7-11-2010 to 6-11-2016	1.56	1.56
	500,000	–	500,000	7-11-2006	7-11-2011 to 6-11-2016	1.56	1.56
	1,500,000	–	1,500,000				

REPORT OF THE DIRECTORS

Name or category of participant	Number of share options At 1 January 2007	Granted during the year	At 31 December 2007	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares at grant date of share options*** HK$ per share
Mr. Lo Jung-Te	500,000	–	500,000	7-11-2006	7-11-2009 to 6-11-2016	1.56	1.56
	500,000	–	500,000	7-11-2006	7-11-2010 to 6-11-2016	1.56	1.56
	500,000	–	500,000	7-11-2006	7-11-2011 to 6-11-2016	1.56	1.56
	1,500,000	–	1,500,000				
Mr. Tsui Yung Kwok	332,667	–	332,667	7-11-2006	7-11-2009 to 6-11-2016	1.56	1.56
	332,667	–	332,667	7-11-2006	7-11-2010 to 6-11-2016	1.56	1.56
	332,666	–	332,666	7-11-2006	7-11-2011 to 6-11-2016	1.56	1.56
	998,000	–	998,000				
Other employees							
In aggregate	14,334,000	–	14,334,000	7-11-2006	7-11-2009 to 6-11-2016	1.56	1.56
	14,334,000	–	14,334,000	7-11-2006	7-11-2010 to 6-11-2016	1.56	1.56
	14,334,000	–	14,334,000	7-11-2006	7-11-2011 to 6-11-2016	1.56	1.56
	43,002,000	–	43,002,000				
	50,000,000	–	50,000,000				

REPORT OF THE DIRECTORS

Notes to the reconciliation of share options outstanding during the year:

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

The Directors have estimated the following theoretical valuations of the options granted under the Post-IPO Share Option Scheme during the year ended 31 December 2006, calculated using the Black-Scholes option pricing model as at the date of the grant of the options:

Grantee	Number of options granted during the year	Theoretical value of share options
		HK$
Mr. Huang Kuo-Kuang	3,000,000	2,222,000
Mr. Hsieh Wan-Fu	1,500,000	1,111,000
Mr. Lo Jung-Te	1,500,000	1,111,000
Mr. Tsui Yung Kwok	998,000	739,000
Other employees	43,002,000	31,851,000
	50,000,000	37,034,000

The Black-Scholes model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the theoretical value of the options were:

Dividend yield (%)	0
Expected volatility (%)	52.18
Risk-free interest rate (%)	3.813 - 3.869
Weighted average expected life of option (year)	4.67
Underlying price per share (HK$)	1.56

The measurement date used in the valuation calculations was the date on which the options were granted.

The value of share options calculated using the Black-Scholes model is subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2007, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	**Capacity and nature of interest**	**Number and class of Shares held** *(Note 1)*	**Approximate percentage of shareholding**
Southern Asia	Beneficial owner	273,556,986 (L) Ordinary Shares	27.36%
Shine Century Assets Corp. *(Note 2)*	Interest of a controlled corporation	273,556,986 (L) Ordinary Shares	27.36%
East Asia International Trustees Limited *(Note 2)*	Trustee (other than a bare trustee)	273,556,986 (L) Ordinary Shares	27.36%
Ms. Lin Mei-Li *(Note 3)*	Beneficial owner	10,518,046 (L) Ordinary Shares	1.05%
	Interest of spouse	303,120,986 (L) Ordinary Shares	30.31%

Notes:

1. The letter "L" denotes a long position in the Share.

2. The Shares were held by Southern Asia, which was wholly owned by Shine Century Assets Corp. The entire issued share capital of Shine Century Assets Corp. was owned by the Cheng Family Trust, the trustee of which was East Asia International Trustees Limited. Shine Century Assets Corp. was deemed to be interested in all the Shares in which Southern Asia is interested by virtue of the SFO. East Asia International Trustee Limited was deemed to be interested in all the Shares in which Shine Century Assets Corp. was interested by virtue of the SFO. The Shares registered in the name of Southern Asia was also disclosed as the interest of Mr. Cheng Li-Yu and Mr. Cheng Li-Yen in the section headed "Directors' and chief executive's interests and short positions in Shares and underlying Shares" above.

3. Ms. Lin Mei-Li is the wife of Mr. Cheng Li-Yu and she was deemed to be interested in all the Shares in which Mr. Cheng Li-Yu was interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2007, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in Shares and underlying Shares" above, had an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

During the year under review, the Group had conducted the following continuing connected transactions which were required to be disclosed pursuant to Rules 14A.45 and 14A.46 of the Listing Rules:

(a) On 6 October 2005, Gi Li Co., Ltd. ("Gi Li"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with each of San Li Company Limited ("San Li") and Sunrise Plastic Injection Company Limited ("Sunrise"), pursuant to which the Group agreed to sell (i) its products to San Li; and (ii) plastic production materials to Sunrise at prices to be determined from time to time by the parties in accordance with the pricing policies of the Group, provided that such terms were on normal commercial terms and were no more favourable than those applicable to the sale of the same type of products or plastic production materials to the independent third parties. The above agreements had a term expiring on 31 December 2007 unless otherwise terminated earlier by three months' written notice by either party.

    The entire share capital of San Li was owned by Mr. Cheng Li-Yu, an executive Director, and his family members. The issued share capital of Sunrise was owned as to 50% by Mr. Cheng Li-Yen, an executive Director, and his family members.

(b) On 6 October 2005, Gi Li entered into an agreement with each of San Li, Ta Yu Metallic Company Limited ("Ta Yu") and Sunrise, pursuant to which the Group agreed to purchase the production materials and moulds from time to time produced or supplied by each of San Li, Ta Yu and Sunrise, at prices to be determined from time to time in accordance with the pricing policies of the Group, provided that such terms were on normal commercial terms and were no more favourable than those applicable to the sale of the same type of production materials and/or moulds by each of them to the independent third parties. The above agreements had a term expiring on 31 December 2007 unless otherwise terminated earlier by three months' written notice by either party. Therefore, on 22 October 2007, Gi Li entered into a new agreement with San Li to ensure continual supply of production materials by San Li after the expiry of the above agreement. The new agreement has a term of three years commencing from 1 January 2008 and ending on 31 December 2010 unless otherwise terminated earlier by three months' written notice by either party.

    The issued share capital of Ta Yu was owned as to approximately 93.33% by Mr. Horng Tsai Chin, a former non-executive Director, and his family members.

(c) On 27 March 2006, Giant Glory International Limited ("Giant Glory") entered into an agreement with Wistron Corporation ("Wistron"), pursuant to which the Group agreed to sell the casings for electronic products and related materials manufactured and/or supplied by the Group (the "Products") to Wistron and its subsidiaries (the "Wistron Group"), at prices to be determined from time to time by the Group and Wistron (for itself and on behalf of other members of the Wistron Group) with reference to the market prices and on such terms that are no more favourable than those applicable to the sales of the Products by the Group to independent third parties. The above agreement had a term expiring on 31 December 2008 unless terminated earlier according to the terms and conditions of the agreement. The total sales of the Products by the Group to the Wistron Group amounted to approximately HK$1,188,126,000 for the year ended 31 December 2007 (2006: HK$707,393,000).

Wistron is a substantial shareholder of Mindforce Holdings Limited, an indirect 70%-owned subsidiary of the Company.

(d) On 13 November 2006, Giant Glory (for itself and on behalf of other members of the Group) entered into agreements (as supplemented by the respective supplemental agreements dated 22 December 2006) with each of San Li, Sunrise and Ta Yu, pursuant to which, (i) San Li agreed to provide (or procure the provision of) technological support and know-how in relation to dust-free spray painting to the Group; and (ii) Sunrise agreed to provide (or procure the provision of) technological support and know-how in relation to plastic injection moulding to the Group; and (iii) Ta Yu agreed to provide (or procure the provision of) technological support and know-how in relation to metal tooling and stamping to the Group. The Group will pay to and/or reimburse each of San Li, Sunrise and Ta Yu (i) a monthly royalty and service fee determined after arm's length negotiation; and (ii) any out of pocket expenses to be incurred from time to time in relation to the provision of technological support. The above agreements had a term expiring on 31 December 2007 unless terminated earlier according to the terms and conditions of the above agreements (as supplemented by the respective supplemental agreements).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the issue of this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group.

On 6 October 2005, Mr. Cheng Li-Yu and Mr. Cheng Li-Yen, being the existing Directors, San Li and Sunrise, being their respective associates, had given irrevocable non-compete undertaking (collectively the "Non-compete Undertakings") in favour of the Group pursuant to which each of them irrevocably, unconditionally and severally undertaken, among other matters, not to, directly or indirectly, invest in, be engaged in or participate in any business or activity which would or might compete with the business of the Group. Details of the Non-compete Undertakings have been set out in the sub-paragraph headed "Non-compete undertaking" of the paragraph headed "Potential competing business of our controlling shareholder, our Directors and their respective associates" under the section headed "Business" of the Prospectus.

REPORT OF THE DIRECTORS

The Company has received the annual confirmations from each of Mr. Cheng Li-Yu and Mr. Cheng Li-Yen, being the existing Directors and San Li and Sunrise, being their respective associates, in respect of their respective compliance with the terms of the Non-compete Undertakings.

AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the accounting policies, accounting standards and practices adopted by the Group and the consolidated financial statements and results of the Group for the year ended 31 December 2007.

AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

There has been no change of the auditors of the Company since the listing of the Company's shares on the main board of the Stock Exchange on 3 November 2005.

ON BEHALF OF THE BOARD

鄭立育

Chairman

Hong Kong
8 April 2008

CORPORATE GOVERNANCE REPORT

Ju Teng International Holdings Limited (the "Company") continues to devote much efforts on formulating the sufficient corporate governance practices which it believes is crucial to its healthy growth and its business needs.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Rules ("Listing Rules") Governing the Listing of Securities on the Stock Exchange. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG Code. For the year ended 31 December 2007, the Company had complied with the code provision of the CG Code save for the following:

Code Provision A.2.1

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Cheng Li-Yu is the chairman of the Board but there is no chief executive officer appointed in the Company. The day-to-day management of the business of Group and the execution of the instructions and directions of the Board are managed by the management team of the Group which comprises some of the executive Directors and the senior management of the Group. The Directors believe that the allocation of the daily management of different sectors of the Group's business amongst the senior management who possesses different experiences and qualifications will enable the Group to enhance the effectiveness and efficiency of the implementation of the business plan. The Board will continue to review the current management structure from time to time and shall make necessary changes when appropriate and inform the shareholders of the Company accordingly.

BOARD OF DIRECTORS

The Group is led by and controlled through the Board, which is currently constituted by a combination of six executive Directors and three independent non-executive Directors.

The Board oversees the overall management and operations of the Company. Major responsibilities of the Board include approving the Company's overall business, financial and technical strategies, setting key performance targets, approving financial budgets and major expenditures, supervising and scrutinizing the performance of management while the senior management are responsible for the supervision and day-to-day management of operation of the Group and the execution of the plans of the Group as approved by the Board.

The independent non-executive Directors have been appointed by the Company for a term of two years commencing from the date of their respective appointment renewable automatically for successive terms of one year each commencing from the day next after the expiry of the then current term of appointment, and until terminated by not less than three months' notice in writing served by either the Company or the respective Director on the other. The independent non-executive Directors are also subject to rotation at annual general meetings pursuant to the articles of association of the Company. All the independent non-executive Directors have confirmed in writing to the Company that they have met all the guidelines for assessing their independence as set out in rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company is satisfied that all the Directors have fully complied with the standards set out in the Model Code for the year ended 31 December 2007.

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

Save for the sibling relationship between Mr. Cheng Li-Yu and Mr. Cheng Li-Yen, the executive Directors, there is no family relationship between any of the Directors, nor is there any financial, business or other material or relevant relationships among the members of the Board.

BOARD MEETINGS

It is intended that the Board should meet regularly for at least four times a year, i.e. at approximately quarterly intervals. Special meetings of the Board will be convened if the situation requires so. For the year ended 31 December 2007, the Board convened a total of eleven Board meetings (exclusive of meetings of Board committee constituted by the Board held during the year) and the individual attendance record of the Directors is tabulated as follows:

Name	**Number of meetings held**	**Number of meetings attended**
Executive Directors		
Mr. Cheng Li-Yu *(Chairman)*	11	10
Mr. Cheng Li-Yen	11	10
Mr. Huang Kuo-Kuang	11	11
Mr. Hsieh Wan-Fu	11	5
Mr. Lo Jung-Te	11	7
Mr. Tsui Yung Kwok	11	7
Independent non-executive Directors		
Mr. Yu Chwo-Ming	11	7
Mr. Tsai Wen-Yu	11	7
Mr. Yip Wai Ming	11	7

Board committee meeting will be convened as and when necessary. Two board committee meetings were held during the year.

NOMINATION OF DIRECTORS

The Company has not set up any nomination committee. In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates as well as the independence requirement in the case of an independent non-executive Director.

The Board has adopted the nomination procedures of a new Director, pursuant to which (i) an interview will be conducted with the prospective candidates; and (ii) board meeting will be held to consider, if thought fit, and approve the appointment of the new Director. To ensure a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities under the applicable laws and regulations (including the Listing Rules), the newly appointed Director will be provided with a comprehensive, tailored and formal induction on the first occasion of his appointment.

There was no nomination and appointment of Directors; and, therefore, no Board committee meeting was convened for the year ended 31 December 2007.

COMMITTEES OF THE BOARD

The Board has established the Audit Committee and the Remuneration Committee for overseeing particular aspects of the Company's affairs.

AUDIT COMMITTEE AND ACCOUNTABILITY

The Board is responsible for preparing the accounts of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. It is also responsible for presenting a balanced, clear and understandable assessment of the Group's annual and interim reports, other price-sensitive announcements and other financial disclosures as required under the Listing Rules. The management provides all relevant information and records to the Board which enable it to prepare the accounts and to make above assessments.

The Company has established an audit committee (the "Audit Committee") of the Company with written terms of reference adopted by reference to the code provisions of the CG Code on 17 June 2005. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Yu Chwo-Ming, Mr. Tsai Wen-Yu and Mr. Yip Wai Ming. Mr. Yu Chwo-Ming is the Chairman of the Audit Committee.

The Audit Committee oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's internal control procedures. It is responsible for making recommendations to the Board for the appointment, reappointment or removal of the external auditors and also reviews and monitors the external auditors' independence and objectivity as well as the effectiveness of the audit process to make sure that it is in full compliance with the Listing Rules and other applicable standards. For the year ended 31 December 2007, the Audit Committee met with the external auditors to review and approve the audit plans and also reviewed the Group's interim results of 2007 and annual results of 2006 and the audit findings with the attendance of the external auditors and executive Directors.

CORPORATE GOVERNANCE REPORT

The Audit Committee convened four meetings for the year ended 31 December 2007. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Name of Director	Number of meeting held	Number of meetings attended
Mr. Yu Chwo-Ming *(Chairman)*	4	4
Mr. Tsai Wen-Yu	4	4
Mr. Yip Wai Ming	4	4

AUDITORS' REMUNERATION

During the year, the audit and non-audit fees payable/paid to Ernst & Young, the auditors of the Group, was made up of an audit fee of HK$2,720,000 and non-audit service fees of HK$1,058,000.

REMUNERATION COMMITTEE

The Company has established the remuneration committee (the "Remuneration Committee") of the Company with written terms of reference adopted by reference to the code provisions of the CG Code on 17 June 2005. The Remuneration Committee currently consists of three independent non-executive Directors and two executive Directors, namely Mr. Yu Chwo-Ming, Mr. Tsai-Wen Yu, Mr. Yip Wai Ming, Mr. Cheng Li-Yu and Mr. Huang Kuo-Kuang. Mr. Yu Chwo-Ming is the Chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management. For the year ended 31 December 2007, the Remuneration Committee reviewed remuneration policy and packages of the Directors and senior management.

The Remuneration Committee convened one meeting for the year ended 31 December 2007. The individual attendance record of each member of the Remuneration Committee is tabulated as follows:

Name of Director	Number of meetings held	Number of meetings attended
Mr. Yu Chwo-Ming *(Chairman)*	1	1
Mr. Tsai Wen-Yu	1	1
Mr. Yip Wai Ming	1	1
Mr. Cheng Li-Yu	1	1
Mr. Huang Kuo-Kuang	1	1

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

The Directors acknowledge their responsibility for preparing the accounts for the year under review.

The external auditors of the Company acknowledge their reporting responsibilities in the independent auditors' report on the financial statements for the year under review.

INTERNAL CONTROL

The Board is responsible for ensuring that sound and effective internal control systems are maintained within the Group. The Group had hired the independent professionals to perform a review on the system of internal control of the Group to ensure that the financial and operational functions, compliance control, material control, asset management and risk management functions are in place and functioning effectively. With reference to the assessment of the independent professionals, the Directors and the Audit Committee conducted review of the internal control system maintained by the Group including the financial, operational and compliance controls and risk management functions for the year ended 31 December 2007 and are satisfied that it is sufficient to provide reasonable, but not absolute, assurance that the Group's assets are safeguarded against loss from unauthorized use or disposition, transactions are properly authorized and proper accounting records are maintained. The Directors will continue to engage external independent professionals to review the Group's internal control systems and will continue to review the need for setting up an internal audit function.

INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATIONS

The Company enhances investor relations and communications by setting up meetings with the investment community. The Company also responds to requests for information and queries from the investment community through the attendance by the executive Directors and designated senior management.

The Board is committed to providing clear and full information of the Company to shareholders through despatching the Group's interim and annual reports, circulars, notices, financial reports to shareholders as and when appropriate.

The Company's annual general meeting provides a good opportunity for communications between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting and related papers are sent to shareholders at least 21 days before the meeting and such notice is also made available on the Stock Exchange's website. The Chairman and Directors will answer questions on the Company's business at the meeting. External auditors will also attend the annual general meeting.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholder' meetings are provided for in the articles of association of the Company. Details of such rights and procedures are included in the relevant circulars to shareholders and will be explained during the proceedings of meetings where appropriate. The Chairman of the meeting will explain the procedures for conducting a poll at the commencement of such meeting.

Poll results will be posted on the website of the Stock Exchange on the day of the shareholders' meeting.

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安永會計師事務所

To the shareholders of Ju Teng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Ju Teng International Holdings Limited set out on pages 32 to 99, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

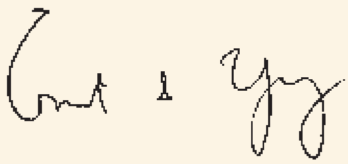
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (Continued)

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.



18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

8 April 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	6	**5,275,832**	3,558,282
Cost of sales		**(4,479,682)**	(3,053,217)
Gross profit		**796,150**	505,065
Other income and gains	6	**94,978**	84,792
Selling and distribution costs		**(23,671)**	(17,570)
Administrative expenses		**(271,942)**	(242,335)
Other expenses		**(12,688)**	(3,076)
Finance costs	7	**(99,940)**	(99,054)
Share of profit of an associate		**1,312**	4,001
PROFIT BEFORE TAX	8	**484,199**	231,823
Tax	11	**(57,338)**	(30,676)
PROFIT FOR THE YEAR	12	**426,861**	201,147
Attributable to:			
Equity holders of the Company		**409,988**	202,942
Minority interests		**16,873**	(1,795)
		426,861	201,147
DIVIDEND	13	**–**	–
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	14		
– Basic (HK cents)		**41.0**	20.3
– Diluted (HK cents)		**40.2**	20.3

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,662,323**	1,478,907
Lease premium for land	16	**25,641**	22,489
Goodwill	17	**1,065**	1,065
Interest in an associate	18	**–**	24,745
Deferred tax assets	19	**–**	5,296
Prepayments for acquisition of property, plant and equipment		**6,656**	–
Available-for-sale investment	24	**120,607**	–
Total non-current assets		**1,816,292**	1,532,502
CURRENT ASSETS			
Inventories	21	**727,751**	654,646
Trade receivables	22	**1,582,689**	942,770
Factored trade receivables	22	**443,525**	373,698
Prepayments, deposits and other receivables	23	**166,546**	153,088
Available-for-sale investment	24	**–**	74,210
Derivative financial instruments	29	**28,256**	8,079
Pledged bank balances and time deposits	25	**53,221**	156,491
Cash and cash equivalents	25	**406,019**	179,547
Total current assets		**3,408,007**	2,542,529
CURRENT LIABILITIES			
Trade and bills payables	26	**1,398,375**	819,802
Other payables and accruals	27	**330,510**	348,491
Tax payable		**84,705**	87,996
Bank advances on factored trade receivables	22	**443,525**	393,946
Interest-bearing bank borrowings	28	**757,178**	838,045
Total current liabilities		**3,014,293**	2,488,280
NET CURRENT ASSETS		**393,714**	54,249
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,210,006**	1,586,751

CONSOLIDATED BALANCE SHEET (Continued)

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	–	2,056
Deferred tax liabilities	19	25,626	–
Total non-current liabilities		25,626	2,056
Net assets		2,184,380	1,584,695
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	30	100,000	100,000
Reserves	32(a)	2,011,143	1,451,005
		2,111,143	1,551,005
Minority interests		73,237	33,690
Total equity		2,184,380	1,584,695

CHENG Li-Yu
Director

HUANG Kuo-Kwang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	Notes	Attributable to equity holders of the Company										Minority interests	Total equity
		Issued share capital	Share premium account	Contributed surplus	Employee share-based compensation reserve	Capital reserve	Statutory reserve fund	Exchange fluctuation reserve	Retained profits	Available-for-sale investment revaluation reserve	Total		
		HK$'000	HK$'000 (Note (c))	HK$'000 (Note (c))	HK$'000 (Note (c))	HK$'000 (Notes (b),(c))	HK$'000 (Notes (a),(c))	HK$'000 (Note (c))	HK$'000 (Note (c))	HK$'000 (Note (c))	HK$'000	HK$'000	HK$'000
At 1 January 2006		100,000	227,127	420,266	3,856	–	23,794	4,491	459,940	–	1,239,474	–	1,239,474
Exchange realignment		–	–	–	–	–	–	47,950	–	–	47,950	561	48,511
Change in fair value of an available-for-sale investment		–	–	–	–	–	–	–	–	56,171	56,171	–	56,171
Net gains recognised directly in equity		–	–	–	–	–	–	47,950	–	56,171	104,121	561	104,682
Profit/(loss) for the year		–	–	–	–	–	–	–	202,942	–	202,942	(1,795)	201,147
Total income and expense for the year		–	–	–	–	–	–	47,950	202,942	56,171	307,063	(1,234)	305,829
Acquisition of subsidiaries	33(b)	–	–	–	–	–	–	–	–	–	–	16,204	16,204
Capital injection from a minority shareholder		–	–	–	–	–	–	–	–	–	–	18,720	18,720
Transfer from retained profits		–	–	–	–	–	262	–	(262)	–	–	–	–
Share-based compensation arrangements	31	–	–	–	4,468	–	–	–	–	–	4,468	–	4,468
At 31 December 2006 and 1 January 2007		100,000	227,127	420,266	8,324	–	24,056	52,441	662,620	56,171	1,551,005	33,690	1,584,695
Exchange realignment		–	–	–	–	–	–	120,176	–	–	120,176	3,683	123,859
Change in fair value of an available-for-sale investment, net of deferred tax		–	–	–	–	–	–	–	–	20,512	20,512	–	20,512
Net gains recognised directly in equity		–	–	–	–	–	–	120,176	–	20,512	140,688	3,683	144,371
Profit for the year		–	–	–	–	–	–	–	409,988	–	409,988	16,873	426,861
Total income and expense for the year		–	–	–	–	–	–	120,176	409,988	20,512	550,676	20,556	571,232
Acquisition of subsidiaries	33(a)	–	–	–	–	–	–	–	–	–	–	18,991	18,991
Transfer from retained profits		–	–	–	–	–	55,691	–	(55,691)	–	–	–	–
Capitalisation of profits		–	–	–	–	363,578	–	–	(363,578)	–	–	–	–
Share-based compensation arrangements	31	–	–	–	9,462	–	–	–	–	–	9,462	–	9,462
At 31 December 2007		100,000	227,127	420,266	17,786	363,578	79,747	172,617	653,339	76,683	2,111,143	73,237	2,184,380

Notes:

(a) In accordance with the relevant regulations in the People's Republic of China (the "PRC" or "Mainland China"), the Company's subsidiaries established in the PRC are required to transfer a certain percentage of their profits after tax to the statutory reserve fund. Subject to certain restrictions set out in the relevant PRC regulations and in the subsidiaries' articles of association, the statutory reserve fund may be used either to offset losses, or for capitalisation issue by way of paid-up capital.

(b) The capital reserve represents profits of the Company's subsidiaries capitalised during the current year.

(c) These reserve accounts comprise the consolidated reserves of HK$2,011,143,000 (2006: HK$1,451,005,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**484,199**	231,823
Adjustments for:			
Finance costs	7	**99,940**	99,054
Interest income	6	**(11,517)**	(6,980)
Dividend income	6	**(2,166)**	(982)
Gain on disposal of an available-for-sale investment	6	**(1,030)**	(16,397)
Depreciation	8	**168,198**	129,524
Amortisation of lease premium for land	8	**524**	648
Loss on disposal of items of property, plant and equipment, net	8	**2,551**	218
Provision for slow-moving and obsolete inventories	8	**28,524**	9,367
Employee share-based compensation expenses		**9,462**	4,468
Excess over the cost of a business combination	6	**(4,576)**	–
Excess over the cost of acquisition of an interest in an associate	6	**–**	(1,625)
Share of profit of an associate		**(1,312)**	(4,001)
		772,797	445,117
(Increase)/decrease in inventories		**(83,001)**	100,950
Increase in trade receivables		**(627,436)**	(145,240)
(Increase)/decrease in factored trade receivables		**(69,827)**	128,369
Increase in prepayments, deposits and other receivables		**(13,318)**	(80,511)
Increase in derivative financial instruments		**(20,177)**	(4,514)
Increase in trade and bills payables		**570,049**	189,817
(Decrease)/increase in other payables and accruals		**(21,003)**	56,758
Increase/(decrease) in bank advances on factored trade receivables		**49,579**	(118,531)
Cash generated from operations		**557,663**	572,215
Mainland China income tax paid		**(54,114)**	(13,112)
Overseas income tax paid		**(1,154)**	(1,792)
Mainland China income tax refund		**–**	7,259
Interest received		**11,517**	6,980
Interest paid		**(99,940)**	(99,054)
Net cash inflow from operating activities		**413,972**	472,496

CONSOLIDATED CASH FLOW STATEMENT (Continued)

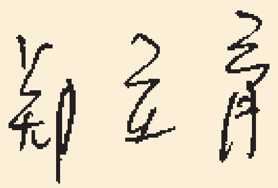
Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(217,216)**	(375,493)
Payment of lease premium for land		**(142)**	–
Proceeds from disposal of items of property, plant and equipment		**9,192**	3,176
Purchase of an available-for-sale investment		**(17,163)**	(23,561)
Proceeds from disposal of an available-for-sale investment		**18,193**	21,919
Dividend received		**2,166**	982
Decrease/(increase) in pledged bank balances and time deposits		**103,270**	(125,498)
Increase in prepayments for acquisition of property, plant and equipment		**(5,851)**	–
Acquisition of subsidiaries	33	**(2,727)**	(13,290)
Net cash outflow from investing activities		**(110,278)**	(511,765)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution by minority shareholders		**–**	18,720
New bank loans		**1,938,659**	1,966,404
Repayment of bank loans		**(2,021,582)**	(1,995,665)
Net cash outflow from financing activities		**(82,923)**	(10,541)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**220,771**	(49,810)
Cash and cash equivalents at beginning of year		**179,547**	226,699
Effect of foreign exchange rate changes, net		**5,701**	2,658
CASH AND CASH EQUIVALENTS AT END OF YEAR		**406,019**	179,547
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**406,019**	179,547

BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	20	**1,096,463**	1,086,751
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	**249**	243
Cash and cash equivalents	25	**25**	8,420
Total current assets		**274**	8,663
CURRENT LIABILITIES			
Other payables and accruals	27	**3,032**	2,739
NET CURRENT ASSETS/(LIABILITIES)		**(2,758)**	5,924
Net assets		**1,093,705**	1,092,675
EQUITY			
Issued capital	30	**100,000**	100,000
Reserves	32(b)	**993,705**	992,675
Total equity		**1,093,705**	1,092,675



CHENG Li-Yu

Director

HUANG Kuo-Kwang

Director

NOTES TO FINANCIAL STATEMENTS

31 December 2007

1. CORPORATE INFORMATION

Ju Teng International Holdings Limited is a limited liability company incorporated in the Cayman Islands. During the year, the Group was principally engaged in the manufacture and sale of notebook computer casings.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and available-for-sale investment, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

3.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 39 to the financial statements.

(c) HK(IFRIC)-Int 8 *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees in accordance with the Group's share option scheme, the interpretation has had no effect on these financial statements.

3.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no material impact on the financial position or results of operations of the Group.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	Share-based Payments-Vesting Conditions and Cancellations [1]
HKFRS 3 (Revised)	Business Combinations [5]
HKFRS 8	Operating Segments [1]
HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKAS 23 (Revised)	Borrowing Costs [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [5]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions [2]
HK(IFRIC)-Int 12	Service Concession Arrangements [4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes [3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [4]

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 March 2007

[3] Effective for annual periods beginning on or after 1 July 2008

[4] Effective for annual periods beginning on or after 1 January 2008

[5] Effective for annual periods beginning on or after 1 July 2009

NOTES TO FINANCIAL STATEMENTS

31 December 2007

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 2 has been amended to restrict the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 has been revised to require a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes introduced by HKFRS 3 (revised) and HKAS 27 (revised) must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 has been revised to introduce changes in presentation and disclosures of financial statements and does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group's current policy for share-based payment transactions aligns with the requirements of the interpretation, the interpretation is unlikely to have any financial impact on the Group.

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required, (other than inventories, deferred tax assets and financial assets) the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, the expenditure is capitalised as an additional cost of that asset or as a replacement.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of the items of property, plant and equipment are as follows:

Freehold land	Not depreciated
Buildings	20 years
Leasehold improvements	Over the lease terms or 5 to 10 years
Machinery	10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, plant and machinery and other items of property, plant and equipment under construction or installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of purchase, construction, installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities at amortised cost (including interest-bearing borrowings)

Financial liabilities including trade and other payables and interest-bearing borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the relevant government authorities. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension schemes.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees employed by the Group's subsidiary in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Share-based payment transactions

The Company operates a Pre-IPO share option scheme, a Post-IPO share option scheme and a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer, further details of which are given in note 31 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payment transactions (Continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries:

- (i) controls, is controlled by, or is under common control with, the Group;
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premiums for land under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets, after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in the other category. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates with the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at amortised cost (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Government subsidies

Government subsidies are recognised at their fair value where there is reasonable assurance that the subsidy will be received and all attaching conditions will be complied with.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when the services have been rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts to reduce its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive, and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Write-down of inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-down of inventories in the periods in which such estimate is changed.

The carrying amount of inventories as at 31 December 2007 was HK$727,751,000 (2006: HK$654,646,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2007

4. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of available-for-sale financial asset

The Group classifies a certain asset as available-for-sale and recognises movements of its value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31 December 2007, no impairment loss has been recognised for available-for-sale investment (2006: Nil). The carrying amount of the available-for-sale investment was HK$120,607,000 (2006: HK$74,210,000).

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

(a) Business segment

The Group was principally engaged in the manufacture and sale of notebook computer casings. Therefore, no further business segment analysis is presented.

(b) Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

The following tables present revenue, certain assets and capital expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006.

Segment revenue from external customers:

	2007	2006
	HK$'000	HK$'000
Mainland China	**5,011,304**	3,139,955
The Republic of China (the "ROC")	**259,548**	414,601
Others	**4,980**	3,726
	5,275,832	3,558,282

NOTES TO FINANCIAL STATEMENTS

31 December 2007

5. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments *(Continued)*

Segment assets:

	2007	2006
	HK$'000	HK$'000
Mainland China	**4,741,172**	3,570,329
The ROC	**465,566**	489,648
Others	**17,561**	15,054
	5,224,299	4,075,031

Segment capital expenditure:

	2007	2006
	HK$'000	HK$'000
Mainland China	**214,775**	372,759
The ROC	**2,030**	2,732
Others	**411**	2
	217,216	375,493

NOTES TO FINANCIAL STATEMENTS

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6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold, net of value-added tax, business tax and government surcharges, after allowances for returns and trade discounts, and after elimination of all significant intra-group transactions.

An analysis of revenue, other income and gains, is as follows:

	2007 HK$'000	2006 HK$'000
Revenue		
Sale of goods	**5,275,832**	3,558,282
Other income		
Interest income	**11,517**	6,980
Subcontracting fee income	**1,232**	1,448
Sale of scrap materials	**25,606**	17,950
Dividend income	**2,166**	982
Excess over the cost of a business combination (notes 33(a))	**4,576**	–
Excess over the cost of acquisition of an interest in an associate	**–**	1,625
Subsidy income	**3,385**	–
Others	**11,039**	5,787
	59,521	34,772
Gains		
Exchange gains, net	**34,427**	33,623
Gain on disposal of an available-for-sale investment	**–**	16,397
Others	**1,030**	–
	35,457	50,020
	94,978	84,792

NOTES TO FINANCIAL STATEMENTS

31 December 2007

7. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest on bank loans and other loans wholly repayable:		
Within five years	**99,932**	99,026
Over five years	**8**	28
Total interest expense on financial liabilities not at fair value through profit or loss	**99,940**	99,054

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

		2007	2006
	Notes	**HK$'000**	HK$'000
Cost of inventories sold		**4,413,995**	3,023,051
Auditors' remuneration		**2,720**	2,300
Depreciation	15	**168,198**	129,524
Amortisation of lease premium for land	16	**524**	648
Minimum lease payments under operating leases:			
Land and buildings		**6,702**	4,733
Motor vehicles		**6,231**	2,735
Provision for slow-moving and obsolete inventories*		**28,524**	9,367
Employee benefits expense (excluding directors' remuneration – *Note 9*):			
Wages and salaries, bonuses, allowances and welfare		**595,772**	451,321
Employee share-based compensation expenses		**8,138**	3,112
Pension scheme contributions		**16,784**	13,871
		620,694	468,304
Loss on disposal of items of property, plant and equipment, net**		**2,551**	218
Subsidy income***		**3,385**	–

* Included in "Cost of sales" on the face of the consolidated income statement.

** Included in "Other expenses" on the face of the consolidated income statement.

*** Various government subsidies have been received for enterprises engaged in highly technological businesses in Jiangsu Province, Mainland China. There are no unfulfilled conditions or contingences relating to these subsidies.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Fees	**591**	489
Other emoluments:		
Salaries, allowances and benefits in kind	**4,641**	3,526
Employee share-based compensation expenses	**1,324**	1,356
Pension scheme contributions	**12**	12
	5,977	4,894
	6,568	5,383

During the prior year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31(c) to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current and prior years is included in the above directors' remuneration disclosures.

The remuneration of each of the directors for the year ended 31 December 2007 is set out below:

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employee share-based compensation expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Mr. Cheng Li-Yu	–	798	–	–	798
Mr. Cheng Li-Yen	–	718	–	–	718
Mr. Huang Kuo-Kuang	–	718	568	–	1,286
Mr. Hsieh Wan-Fu	–	617	284	–	901
Mr. Lo Jung-Te	–	678	284	–	962
Mr. Tsui Yung Kwok	–	1,112	188	12	1,312
Mr. Yu Chwo-Ming	199	–	–	–	199
Mr. Tsai Wen-Yu	199	–	–	–	199
Mr. Yip Wai Ming	193	–	–	–	193
	591	4,641	1,324	12	6,568

NOTES TO FINANCIAL STATEMENTS

31 December 2007

9. DIRECTORS' REMUNERATION *(Continued)*

The remuneration of each of the directors for the year ended 31 December 2006 is set out below:

Name of director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Employee share-based compensation expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Mr. Cheng Li-Yu	–	623	–	–	623
Mr. Cheng Li-Yen	–	561	–	–	561
Mr. Huang Kuo-Kuang	–	561	369	–	930
Mr. Hsieh Wan-Fu	–	379	47	–	426
Mr. Lo Jung-Te	–	417	47	–	464
Mr. Tsui Yung Kwok	–	985	893	12	1,890
Mr. Horng Tsai-Chin	–	–	–	–	–
Mr. Yu Chwo-Ming	162	–	–	–	162
Mr. Tsai Wen-Yu	162	–	–	–	162
Mr. Yip Wai Ming	107	–	–	–	107
Mr. Lo Ching Pong	58	–	–	–	58
	489	3,526	1,356	12	5,383

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included four (2006: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining one (2006: three) non-director, highest paid employee for the year are as follows:

	Group 2007 HK$'000	2006 HK$'000
Salaries, allowances and benefits in kind	**439**	1,171
Bonuses	**76**	199
Employee share-based compensation expenses	**421**	749
Pension scheme contributions	**–**	28
	936	2,147

10. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The remuneration of the non-director, highest paid employee for the current and prior years fell within the Nil to HK$1,000,000 band.

During the prior year, share options were granted under the share option scheme of the Company to the three non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 31(c) to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current and prior years is included in the above non-director, highest paid employees' remuneration disclosures.

11. TAX

Hong Kong profits tax has not been provided, as the Group did not have any assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007 **HK$'000**	2006 HK$'000
Provision for the year:		
Current – The PRC, excluding Hong Kong		
Charge for the year	**46,746**	22,359
Underprovision in prior year	**1,332**	–
Current – Overseas		
Charge for the year	**2,770**	16,811
Underprovision in prior year	**1,129**	–
Tax refund	**–**	(7,259)
Deferred tax – Note 19	**5,361**	(1,235)
Total tax charge for the year	**57,338**	30,676

NOTES TO FINANCIAL STATEMENTS

31 December 2007

11. TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

Group – 2007

	Hong Kong		The PRC, excluding Hong Kong		Overseas		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	**(19,334)**		**490,028**		**13,505**		**484,199**	
Tax at the statutory tax rate	**(3,383)**	**17.5**	**142,696**	**29.1**	**3,376**	**25.0**	**142,689**	**29.5**
Preferential tax rates	**–**	**–**	**(88,034)**	**(18.0)**	**–**	**–**	**(88,034)**	**(18.2)**
Income not subject to tax	**–**	**–**	**–**	**–**	**(823)**	**(6.1)**	**(823)**	**(0.2)**
Tax exemption	**–**	**–**	**(10,864)**	**(2.2)**	**–**	**–**	**(10,864)**	**(2.2)**
Expenses not deductible for tax	**3,383**	**(17.5)**	**2,948**	**0.6**	**–**	**–**	**6,331**	**1.3**
Adjustments in respect of current tax of previous periods	**–**	**–**	**1,332**	**0.3**	**1,129**	**8.4**	**2,461**	**0.5**
Write-down of deferred tax assets	**–**	**–**	**2,926**	**0.6**	**2,652**	**19.6**	**5,578**	**1.2**
Tax charge at the Group's effective rate	**–**	**–**	**51,004**	**10.4**	**6,334**	**46.9**	**57,338**	**11.9**

Group – 2006

	Hong Kong		The PRC, excluding Hong Kong		Overseas		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(12,823)		178,638		66,008		231,823	
Tax at the statutory tax rate	(2,244)	17.5	58,951	33.0	16,502	25.0	73,209	31.6
Preferential tax rates	–	–	(36,901)	(20.7)	–	–	(36,901)	(16.0)
Income not subject to tax	–	–	(243)	(0.1)	(778)	(1.2)	(1,021)	(0.4)
Expenses not deductible for tax	2,244	(17.5)	51	–	353	0.6	2,648	1.1
Tax refund	–	–	(7,259)	(4.1)	–	–	(7,259)	(3.1)
Tax charge at the Group's effective rate	–	–	14,599	8.1	16,077	24.4	30,676	13.2

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11. TAX *(Continued)*

Everyday Computer Components (Suzhou) Co., Ltd. ("Everyday Computer"), a subsidiary of the Company, is subject to a preferential tax rate of 24% as it is recognised as a foreign investment manufacturing enterprise. Besides, it is a foreign investment entreprise and is entitled to tax holiday which ended in the prior year. In the current year, Everyday Computer has provided corporate income tax in the Mainland China at a reduced tax rate of 12% as it is a foreign investment manufacturing enterprise with export-oriented enterprise status which is eligible for 50% corporate income tax reduction after the tax holiday based on existing legislation, interpretation and practices in respect thereof. As at the date of approval of these financial statements, the export-oriented enterprise status of Everyday Computer has not yet been approved by the relevant authorities.

Pursuant to an approval document dated 13 April 2004 issued by the Tax Bureau, Suzhou Dazhi Communication Accessory Co., Ltd. ("Suzhou Dazhi"), a subsidiary of the Company, is subject to a preferential tax rate of 24% as Suzhou Dazhi is also recognised as a foreign investment manufacturing enterprise. In addition, Suzhou Dazhi, also a foreign investment enterprise, is entitled to full exemption from income tax for two years starting from the first profitable year which was the year ended 31 December 2003 and a 50% tax relief for the three years thereafter. However, pursuant to the relevant income tax laws and regulations in the PRC, Suzhou Dazhi elected to defer its entitlement of the tax exemption to the year commencing on 1 January 2004 as Suzhou Dazhi had commenced its operations for less than six months in its first year of entitlement.

Ju Teng Electronics (Shanghai) Co., Ltd. ("Ju Teng Electronics"), which is located and operates in Shanghai Songjiang Export Processing Zone, is subject to a preferential tax rate of 15%. Ju Teng Electronics is also a foreign investment enterprise and is therefore entitled to full exemption from income tax for two years starting from the first profitable year which was the year ended 31 December 2003 and a 50% tax relief for the three years thereafter.

WIS Precision (Kunshan) Co., Ltd. ("WIS Precision"), a subsidiary of the Company, is subject to a preferential tax rate of 24% as WIS Precision is recognised as a foreign investment manufacturing enterprise. Besides, WIS Precision is also a foreign investment enterprise and is therefore entitled to full exemption from income tax for two years starting from the first profitable year which was the year ended 31 December 2007 and a 50% tax relief for the three years thereafter.

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2007 includes a loss of HK$8,432,000 (2006: HK$9,059,000) which has been dealt with in the financial statements of the Company (note 32(b)).

13. DIVIDEND

No dividend has been paid or declared by the Company during the year.

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14. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to equity holders of the Company of HK$409,988,000 (2006: HK$202,942,000) and the 1,000,000,000 shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to equity holders of the Company of HK$409,988,000 (2006: HK$202,942,000). The weighted average number of shares used in the calculation is the 1,000,000,000 shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of 19,372,980 (2006: 746,913) shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential shares into shares.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings	Leasehold improvements	Machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:							
As at 1 January 2006	467,112	4,157	777,335	66,051	11,284	1,011	1,326,950
Additions	23,007	–	271,600	27,905	617	52,364	375,493
Acquisition of subsidiaries	–	–	–	–	315	32,951	33,266
Transfers	59,549	–	9,636	8,920	–	(78,105)	–
Disposals	(8)	(1,047)	(793)	(267)	(667)	(1,004)	(3,786)
Exchange realignment	16,943	128	21,370	10,214	406	29	49,090
As at 31 December 2006 and 1 January 2007	**566,603**	**3,238**	**1,079,148**	**112,823**	**11,955**	**7,246**	**1,781,013**
Additions	**9,684**	**483**	**153,476**	**24,364**	**866**	**28,343**	**217,216**
Acquisition of subsidiaries	**16,147**	**–**	**23,326**	**817**	**1,180**	**–**	**41,470**
Transfers	**3,654**	**–**	**6,497**	**6,637**	**–**	**(16,788)**	**–**
Disposals	**(1,049)**	**–**	**(6,314)**	**(2,036)**	**(2,130)**	**(4,404)**	**(15,933)**
Exchange realignment	**43,682**	**171**	**84,470**	**8,589**	**942**	**462**	**138,316**
As at 31 December 2007	**638,721**	**3,892**	**1,340,603**	**151,194**	**12,813**	**14,859**	**2,162,082**

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

	Land and buildings HK$'000	Leasehold improvements HK$'000	Machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation:							
As at 1 January 2006	29,950	1,171	118,294	14,182	3,649	–	167,246
Provided during the year	24,050	1,264	84,699	17,412	2,099	–	129,524
Disposals	(1)	–	(43)	(96)	(252)	–	(392)
Exchange realignment	1,102	37	1,931	2,529	129	–	5,728
As at 31 December 2006 and 1 January 2007	**55,101**	**2,472**	**204,881**	**34,027**	**5,625**	**–**	**302,106**
Acquisition of subsidiaries	**2,115**	**–**	**7,887**	**447**	**310**	**–**	**10,759**
Provided during the year	**29,875**	**288**	**112,768**	**23,103**	**2,164**	**–**	**168,198**
Disposals	**(109)**	**–**	**(1,638)**	**(983)**	**(1,460)**	**–**	**(4,190)**
Exchange realignment	**4,321**	**163**	**15,467**	**2,493**	**442**	**–**	**22,886**
As at 31 December 2007	**91,303**	**2,923**	**339,365**	**59,087**	**7,081**	**–**	**499,759**
Net book value:							
As at 31 December 2007	**547,418**	**969**	**1,001,238**	**92,107**	**5,732**	**14,859**	**1,662,323**
As at 31 December 2006	511,502	766	874,267	78,796	6,330	7,246	1,478,907

The Group's land and buildings were held under the following lease terms:

	2007 HK$'000	2006 HK$'000
Net book value:		
Freehold land outside Hong Kong	**3,996**	3,989
Buildings held under medium term leases outside Hong Kong	**543,422**	507,513
	547,418	511,502

At 31 December 2007, certain of the Group's land and buildings and machinery with an aggregate net book value of approximately HK$89,338,000 (2006: HK$588,434,000) were pledged to secure certain banking facilities granted to the Group (note 28).

NOTES TO FINANCIAL STATEMENTS

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16. LEASE PREMIUM FOR LAND

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount at 1 January	**22,489**	15,956
Addition during the year	**142**	–
Acquisition of subsidiaries *(Note 33)*	**1,733**	6,875
Recognised during the year	**(524)**	(648)
Exchange realignment	**1,801**	306
Carrying amount at 31 December	**25,641**	22,489

The land of the Group was held under the medium term lease and was situated outside Hong Kong.

At 31 December 2007, certain of the Group's land with an aggregate net book value of approximately HK$6,640,000 (2006: HK$15,530,000) was pledged to secure certain banking facilities granted to the Group (note 28).

17. GOODWILL

Group	HK$'000
Cost at 1 January 2006	–
Acquisition of a subsidiary in the prior year *(Note 33(b))*	1,065
Cost and carrying amount at 31 December 2006 and 2007	1,065

18. INTEREST IN AN ASSOCIATE

	Group	
	2007	2006
	HK$'000	HK$'000
Share of net assets	**–**	24,745

The principal asset of the associate is its wholly-owned subsidiary, Chengyang Precision Mold (Kunshan) Company Limited ("Chengyang"), which is principally engaged in the manufacture and sale of moulds.

NOTES TO FINANCIAL STATEMENTS

31 December 2007

18. INTEREST IN AN ASSOCIATE *(Continued)*

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activity
Smart Success Enterprises Limited*	2,190,000 ordinary shares of US$1 each	Samoa	36.5#	Investment holding

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

During the year, the Group acquired a further 37.5% equity interest in the associate, which then became a subsidiary of the Company. Further details of the acquisition are included in note 33(a) to the financial statements.

The following table illustrates the summarised financial information of the Group's associate extracted from its financial statements:

	2007	2006
	HK$'000	HK$'000
Assets	**–**	79,030
Liabilities	**–**	11,235
Revenue	**–**	42,017
Profit	**–**	10,395

19. DEFERRED TAX

Deferred tax assets

Losses available for offset against future taxable profit:

	Group	
	2007	2006
	HK$'000	HK$'000
At beginning of year	**5,296**	3,913
Deferred tax (charged)/credited to the income statement during the year *(Note 11)*	**(5,361)**	1,235
Exchange realignment	**65**	148
At end of year	**–**	5,296

NOTES TO FINANCIAL STATEMENTS

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19. DEFERRED TAX *(Continued)*

Deferred tax assets *(Continued)*

The Group had tax losses arising in the PRC and the ROC of approximately HK$64,101,000 (2006: HK$36,153,000) and HK$12,072,000 (2006: HK$9,744,000), respectively, that are available for offsetting against future taxable profits of the subsidiaries in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax liabilities

	Group 2007 Revaluation of an available-for-sale investment HK$'000
At beginning of year	–
Deferred tax charged to equity during the year	**25,626**
Gross deferred tax liabilities at 31 December 2007	**25,626**

20. INTERESTS IN SUBSIDIARIES

	Company	
	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	**777,358**	777,358
Due from subsidiaries	**309,610**	308,037
Capital contribution in respect of share-based compensation	**9,495**	1,356
	1,096,463	1,086,751

The amounts advanced to the subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries. The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows:

Company name	Place and date of incorporation/ registration	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company Direct	Indirect	Principal activities
Best Alliance Holding Inc.	British Virgin Islands ("BVI")	US$52,600,000 Ordinary	100%	–	Investment holding
Giant Glory International Limited	Samoa	US$49,777,419 Ordinary	–	100%	Investment holding and sale of notebook computer casings and related materials
Step Fine International Investment Limited#	Hong Kong	HK$100,000 Ordinary	–	100%	Investment holding
Everyday Computer Components (Suzhou) Co., Ltd.*@	The PRC	US$52,500,000	–	100%	Manufacture and sale of notebook computer casings
Suzhou Dazhi Communication Accessory Co., Ltd.*@	The PRC	US$83,500,000	–	100%	Manufacture and sale of notebook computer casings
Jiu De International Limited	Samoa	US$12,800,000 Ordinary	–	100%	Sale of materials for the manufacture of notebook computer casings
Jiu Ding International Limited	Samoa	US$12,800,000 Ordinary	–	100%	Dormant
Sincere Joy Corporation	Samoa	US$1,000,000 Ordinary	–	100%	Sale of materials for the manufacture of notebook computer casings
Tri-Great International Limited	Samoa	US$1,000,000 Ordinary	–	100%	Sale of notebook computer casings
Applied Business Company Inc.	BVI	US$1,500,000 Ordinary	–	100%	Sale of materials for the manufacture of notebook computer casings
ICAN Business Limited	BVI	US$1,500,000 Ordinary	–	100%	Sale of notebook computer casings
Gi Li Co., Ltd.@	The ROC	NT$5,000,000 Ordinary	–	100%	Sale of notebook computer casings and related materials

NOTES TO FINANCIAL STATEMENTS

31 December 2007

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the subsidiaries are as follows: *(Continued)*

Company name	Place and date of incorporation/ registration	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company Direct	Equity interest attributable to the Company Indirect	Principal activities
Hempton International Limited	Samoa	US$3,500,000 Ordinary	–	100%	Investment holding and sale of materials for the manufacture of notebook computer casings
Perfect Base Holdings Limited#	Hong Kong	HK$100,000 Ordinary	–	100%	Investment holding
Ju Teng Electronics (Shanghai) Co., Ltd.*@	The PRC	US$12,500,000	–	100%	Manufacture and sale of notebook computer casings
Grand Develop Investments Limited	Hong Kong	HK$1 Ordinary	–	100%	Provision of general administrative and support services
Mindforce Holdings Limited	BVI	US$15,000,000	–	70%	Investment holding
WIS Precision (Kunshan) Co., Ltd. @*	The PRC	US$15,000,000	–	70%	Manufacture and sale of notebook computer casings
Plentimark Limited	BVI	US$50,000	–	70%	Sale of materials for the manufacture of notebook computer casings
Dynamic Apex Macao Commercial Offshore Limited @	Macau	MOP$100,000	–	100%	Sale of materials for the manufacture of notebook computer casings
Smart Success Enterprises Limited #@	Samoa	US$6,000,000 Ordinary	–	74%	Investment holding
Prime Cheer International Limited #	Hong Kong	HK$100,000 Ordinary	–	74%	Investment holding
Chengyang Precision Mold (Kunshan) Co., Ltd. @#*	The PRC	US$5,000,000	–	74%	Manufacture and sale of moulds
Willtech International Limited#@	Samoa	NT$2,000,000	–	74%	Investment holding
晨達國際有限公司#@	The ROC	NT$2,000,000	–	74%	Sale of moulds

* Registered as wholly-foreign-owned enterprises under the PRC law.
@ Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.
# Acquired/incorporated during the year.

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21. INVENTORIES

	Group 2007 HK$'000	2006 HK$'000
Production materials	**380,303**	272,098
Work in progress	**213,600**	262,540
Finished goods	**98,726**	107,527
Moulds and consumable tools	**35,122**	12,481
	727,751	654,646

22. TRADE RECEIVABLES

The general credit terms of the Group range from 90 days to 120 days. Trade receivables are non-interest-bearing.

An aged analysis of the Group's trade receivables and factored trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	Group 2007 HK$'000	2006 HK$'000
Trade receivables		
Within 3 months	**1,159,938**	712,595
4 – 6 months	**417,778**	212,986
7 – 12 months	**3,654**	8,789
Over 1 year	**1,319**	8,400
	1,582,689	942,770
Factored trade receivables		
Within 3 months	**172,345**	233,772
4 – 6 months	**271,180**	139,926
	443,525	373,698

NOTES TO FINANCIAL STATEMENTS

31 December 2007

22. TRADE RECEIVABLES *(Continued)*

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Neither past due nor impaired	**1,442,484**	759,295
1 – 3 months past due	**135,476**	165,863
4 – 6 months past due	**3,174**	9,918
7 – 12 months past due	**162**	1,102
Over 1 year	**1,393**	6,592
	1,582,689	942,770

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

As at 31 December 2007, certain subsidiaries of the Group had factored trade receivables of HK$443,525,000 (2006: HK$373,698,000) to banks on a without-recourse basis for cash. As the subsidiaries of the Group still retained the risks and rewards associated with the delay in payment by the customers, the financial asset derecognition conditions as stipulated in HKAS 39 have not been fulfilled. Accordingly, the proceeds from the factoring of the Group's trade receivables have been accounted for as liabilities in the consolidated balance sheet.

Included in the Group's trade receivables at the balance sheet date were amounts due from the following related companies, which are repayable on credit terms similar to those offered to the major customers of the Group.

		Group	
	Notes	**2007**	2006
		HK$'000	HK$'000
San Li Company Limited ("San Li")	37(a),(b)	**572**	491
Sunrise Plastic Injection Company Limited ("Sunrise")	37(a),(b)	**15**	342
		587	833

At 31 December 2007, certain of the Group's trade receivables amounting to HK$350,768,000 (2006: HK$439,110,000) in aggregate, were pledged to secure certain banking facilities granted to the Group (note 28).

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**65,644**	22,221	**249**	222
Deposits and other receivables	**100,902**	130,867	**–**	21
	166,546	153,088	**249**	243

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2007	2006
	HK$'000	HK$'000
Overseas listed equity investment, at market value	**120,607**	–
Unlisted equity investment, at fair value	**–**	74,210
	120,607	74,210

The unlisted equity investment as at 31 December 2006 was listed on the stock exchange in Taiwan during the year.

During the year, the gross gain of the Group's available-for-sale investment recognised directly in equity amounted to HK$46,138,000 (2006: HK$56,171,000).

The above investment represents investment in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The fair value of the unlisted equity investment at 31 December 2006 was estimated based on the trading price on the emerging market. The fair value of the listed equity investment at 31 December 2007 is estimated based on quoted market price.

In the opinion of the Company's directors, the available-for-sale investment is not expected to be realised within 12 months after the balance sheet date. Accordingly, the investment is classified as a non-current asset in the consolidated balance sheet.

The market value of the Group's listed equity investment at the date of approval of these financial statements was approximately HK$98,012,000.

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25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**304,381**	199,799	**25**	8,420
Time deposits	**154,859**	136,239	**–**	–
	459,240	336,038	**25**	8,420
Less: Pledged bank balances and time deposits *(Note)*	**(53,221)**	(156,491)	**–**	–
Cash and cash equivalents	**406,019**	179,547	**25**	8,420

Note: The pledged bank balances and time deposits as at 31 December 2006 included bank balance of HK$20,248,000 relating to the settlement of factored trade receivables by a customer before the year end but not yet offset by the bank against the advances from factoring of the relevant trade receivables.

The Group's pledged bank balances and time deposits of HK$48,609,000 (2006: HK$133,489,000) were applied to secure certain banking facilities granted to the Group (note 28).

RMB is not a freely convertible currency in the Mainland China and the remittance of funds out of the Mainland China is subject to the exchange restriction imposed by the Mainland China government. Companies incorporated in the ROC are subject to certain controls in the remittance of funds out of the ROC up to a certain limit for each calendar year. As at 31 December 2007, the cash and cash equivalents which were subject to exchange and/or remittance restrictions in the Mainland China or the ROC amounted to approximately HK$79,186,000 (2006: HK$34,878,000).

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

26. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within 3 months	**927,928**	596,072
4 – 6 months	**452,583**	209,449
7 – 12 months	**10,737**	9,704
Over 1 year	**7,127**	4,577
	1,398,375	819,802

The trade payables are non-interest-bearing and are normally settled on 90 to 120 days terms.

Included in the Group's trade and bills payables at the balance sheet date were amounts due to the following related companies, which have credit terms similar to those offered by the Group's other major suppliers.

		Group	
	Notes	**2007**	2006
		HK$'000	HK$'000
San Li	37(a),(b)	**4,504**	7,996
Ta Yu Metallic	37(a),(b)	**–**	537
Sunrise	37(a),(b)	**1,744**	1,232
San Changs	37(a),(b)	**–**	87
		6,248	9,852

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27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**174,778**	241,400	**–**	–
Accruals	**155,732**	107,091	**3,032**	2,739
	330,510	348,491	**3,032**	2,739

Other payables are non-interest-bearing.

28. INTEREST-BEARING BANK BORROWINGS

Group

	2007			2006		
	Effective Interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	**5.58 – 7.45**	**2008**	**260,915**	3.71 – 7.12	2007	386,296
Bank loans – unsecured	**5.57 – 6.54**	**2008**	**496,263**	4.65 – 6.29	2007	451,749
			757,178			838,045
Non-current						
Bank loans – secured			**–**	3.71	2008 – 2014	2,056
			–			840,101

	2007	2006
	HK$'000	HK$'000
Repayable:		
Within one year	**757,178**	838,045
In the second year	**–**	323
In the third to fifth years, inclusive	**–**	983
Beyond five years	**–**	750
	757,178	840,101

28. INTEREST-BEARING BANK BORROWINGS *(Continued)*

Notes:

(a) Certain of the Group's bank loans were secured by:

(i) mortgages over the Group's land and buildings and machinery with an aggregate carrying amount of approximately HK$95,978,000 (2006: HK$603,964,000);

(ii) floating charges over certain of the Group's trade receivables of HK$350,768,000 (2006: HK$439,110,000) in aggregate at 31 December 2007;

(iii) the pledge of certain of the Group's bank balances and time deposits amounting to HK$48,609,000 (2006: HK$36,023,000); and

(iv) corporate guarantees executed by the Company to the extent of HK$378,739,000 (2006: HK$251,207,000).

(b) The Group's bank loans with carrying amounts of HK$643,935,000 (2006: HK$798,034,000), HK$93,403,000 (2006: HK$29,865,000) and HK$19,840,000 (2006: HK$12,202,000) are denominated in US$, RMB and NT$, respectively.

(c) The carrying amounts of the Group's borrowings approximate to their fair values.

29. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Forward currency contracts	**28,256**	8,079

The carrying amount of forward currency contracts is the same as their fair value. The above transactions involving derivative financial instruments are with creditworthy banks.

The Group has entered into various forward currency contracts to reduce its exposure to foreign currency exchange rate fluctuations, which did not meet the criteria for hedge accounting. Changes in fair value of non-hedging currency derivatives, amounting to credit of HK$20,177,000 (2006: HK$4,514,000) were recognised in the income statement during the year.

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30. SHARE CAPITAL

Shares

	2007 HK$'000	2006 HK$'000
Authorised:		
2,000,000,000 shares of HK$0.1 each	**200,000**	200,000
Issued and fully paid:		
1,000,000,000 shares of HK$0.1 each	**100,000**	100,000

There is no change in the Company's authorised and issued share capital during the current and prior years.

Share options

Details of the Company's Pre-IPO, share option scheme, Post-IPO share option scheme and the share options granted are included in note 31 to the financial statements.

31. EQUITY COMPENSATION PLANS

(a) Pre-IPO share option scheme

On 17 June 2005, the Company adopted a Pre-IPO share option scheme. On the same day, Pre-IPO share options were granted to Mr. Tsui Yung Kwok, a director of the Company, for subscribing 2,800,000 shares in the Company at an exercise price of HK$1.26 per share. The exercise period commences from 3 November 2006 and ends on and includes 16 June 2015.

The fair value of the Pre-IPO share options granted during the prior year was estimated at approximately HK$1,422,000, of which the Group recognised an expense of HK$1,422,000 in the prior years.

No Pre-IPO share option was exercised during the year.

31. EQUITY COMPENSATION PLANS *(Continued)*

(b) Share award plan

On 17 June 2005, the Company adopted a share award plan. On the same day, a total of 952,881 shares (before the Capitalisation Issue) in the Company were transferred to the trustee of the share award plan by Jiu Liang International Limited, a company beneficially owned by Southern Asia, Extrawell, Ever Grand and certain employees of the Group, at nil consideration, and a total of 12,452,669 shares were allotted and issued to the trustee of the share award plan pursuant to the Capitalisation Issue. On the same day, the Company awarded a total of 4,289,776 shares (after the Capitalisation Issue) to Mr. Huang Kuo-Kuang, a director of the Company, and certain employees of the Group under the share award plan, which had vested in the prior year. The shares awarded by the Company under the share award plan are accounted for as shared-based payments under HKFRS 2.

The fair value of the shares awarded during the prior years was estimated at approximately HK$5,325,000, of which the Group recognised an expense of HK$5,325,000 in the prior years.

(c) Post-IPO share option scheme

The Company operates a Post-IPO share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include, among others, the Group's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, persons that provide research, development or other technological support to the Group, the Group's shareholders and the advisers or consultants of the Group and participants who have contributed or may contribute to the development and growth of the Group. The Scheme became effective on 3 November 2005 and unless otherwise cancelled or amended, will remain in force for a period to 5 October 2015.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

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31. EQUITY COMPENSATION PLANS *(Continued)*

(c) Post-IPO share option scheme *(Continued)*

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotation sheets on the date of the offer of the share options; and (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2007		2006	
	Weighted average exercise price HK$ per share	**Number of options**	Weighted average exercise price HK$ per share	Number of options
At 1 January	**1.56**	**50,000,000**	–	–
Granted during the year	**–**	**–**	1.56	50,000,000
At 31 December	**1.56**	**50,000,000**	1.56	50,000,000

No share options were exercised during the current and prior years.

31. EQUITY COMPENSATION PLANS *(Continued)*

(c) Post-IPO share option scheme *(Continued)*

The exercise prices and exercise periods of the share options outstanding as at that balance sheet date are as follows:

2007

Number of options	**Exercise price* HK$ per share**	**Exercise period**
16,666,667	**1.56**	**7-11-2009 to 6-11-2016**
16,666,667	**1.56**	**7-11-2010 to 6-11-2016**
16,666,666	**1.56**	**7-11-2011 to 6-11-2016**
50,000,000		

2006

Number of options	Exercise price* HK$ per share	Exercise period
16,666,667	1.56	7-11-2009 to 6-11-2016
16,666,667	1.56	7-11-2010 to 6-11-2016
16,666,666	1.56	7-11-2011 to 6-11-2016
50,000,000		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

The Group recognised a share option expense of HK$9,462,000 (2006: HK$1,577,000) during the year ended 31 December 2007 in respect of share options granted in the prior year.

At the balance sheet date, the Company had 52,800,000 share options outstanding under the Pre-IPO share option scheme and the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 52,800,000 additional ordinary shares of the Company and additional share capital of HK$5,280,000 and share premium of HK$76,248,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 52,800,000 share options outstanding under the Pre-IPO share option scheme and the Scheme, which represented approximately 5.3% of the Company's shares in issue as at that date.

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32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 35 of the financial statements.

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Employee share-based compensation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006		227,127	772,098	3,856	(5,815)	997,266
Loss for the year	12	–	–	–	(9,059)	(9,059)
Share-based compensation arrangements	31	–	–	4,468	–	4,468
At 31 December 2006 and 1 January 2007		**227,127**	**772,098**	**8,324**	**(14,874)**	**992,675**
Loss for the year	12	**–**	**–**	**–**	**(8,432)**	**(8,432)**
Share-based compensation arrangements	31	**–**	**–**	**9,462**	**–**	**9,462**
As 31 December 2007		**227,127**	**772,098**	**17,786**	**(23,306)**	**993,705**

The Company's contributed surplus represents the excess of the fair value of the shares of the former Group holding company acquired pursuant to the Group reorganisation in 2005, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law of the Cayman Islands, a company may make distributions to its members out of the contributed surplus in certain circumstances.

33. BUSINESS COMBINATIONS

(a) Business combination of Smart Success Enterprises Limited in the current year

On 21 September 2007, the Group acquired a further 37.5% equity interest in Smart Success Enterprises Limited to increase the total equity interest to 74%. Smart Success Enterprises Limited, a company incorporated in Samoa, has a wholly-owned PRC subsidiary, Chengyang Precision Mold (Kunshan) Company Limited ("晟揚精密模具(昆山)有限公司"), which is principally engaged in the manufacture and sale of moulds with manufacturing facility located in Kunshan, the PRC. The consideration for the acquisition was in the form of cash of HK$22,815,000 which has been paid.

The fair values of the identifiable assets and liabilities of Smart Success Enterprises Limited and its subsidiaries as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000	Previous carrying amount HK$'000
Property, plant and equipment	15	30,711	30,711
Lease premium for land	16	1,733	1,733
Prepayments for acquisition of property, plant and equipment		805	805
Inventories		18,628	18,628
Trade receivables		12,483	12,483
Cash and cash equivalents		20,088	20,088
Prepayments, deposits and other receivables		140	140
Trade and bills payables		(8,524)	(8,524)
Other payables and accruals		(3,022)	(3,022)
		73,042	73,042
Minority interests		(18,991)	
Excess over the cost of a business combination recognised in the income statement	6	(4,576)	
		49,475	
Satisfied by:			
Cash		22,815	
Reclassification from an interest in an associate		26,660	
		49,475	

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33. BUSINESS COMBINATIONS *(Continued)*

(a) Business combination of Smart Success Enterprises Limited in the current year *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash consideration	(22,815)
Cash and cash equivalents acquired	20,088
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(2,727)

Since their acquisition, Smart Success Enterprises Limited and its subsidiaries contributed HK$35,689,000 to the Group's turnover and contributed a net profit of HK$6,912,000 to the consolidated profit for the year ended 31 December 2007.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$5,288,249,000 and HK$429,144,000.

(b) Business combination of Mindforce Holdings Limited in the prior year

On 23 January 2006, the Group acquired a 70% interest in Mindforce Holdings Limited. Mindforce Holdings Limited, a company incorporated in the British Virgin Islands, has a wholly-owned PRC subsidiary, WIS Precision (Kunshan) Company Limited ("緯立資訊配件(昆山)有限公司"), which is principally engaged in the manufacture and sale of notebook computer casings and related products in the Mainland China. The consideration for the acquisition was in the form of cash of HK$38,875,000 of which HK$16,380,000 was paid in the prior years and recorded as prepayment in the prior years' consolidated balance sheet.

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33. BUSINESS COMBINATIONS *(Continued)*

(b) Business combination of Mindforce Holdings Limited in the prior year *(Continued)*

The fair values of the identifiable assets and liabilities of Mindforce Holdings Limited and its subsidiary as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000	**Previous carrying amount** HK$'000
Property, plant and equipment	15	33,266	33,266
Lease premium for land	16	6,875	6,875
Cash and cash equivalents		9,205	9,205
Prepayments, deposits and other receivables		7,264	7,264
Other payables and accruals		(2,596)	(2,596)
		54,014	54,014
Minority interests		(16,204)	
Goodwill on acquisition	17	1,065	
		38,875	
Satisfied by:			
Cash		22,495	
Prepayment		16,380	
		38,875	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash consideration	(22,495)
Cash and cash equivalents acquired	9,205
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(13,290)

Since their acquisition, Mindforce Holdings Limited and its subsidiary contributed HK$19,306,000 to the Group's turnover and contributed a net loss of HK$5,986,000 to the consolidated profit for the year ended 31 December 2006.

Had the combination taken place at the beginning of the prior year, there would have been no significant impact on the revenue and profit of the Group for the prior year.

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34. CONTINGENT LIABILITIES

At the balance sheet date, the Group did not have any significant contingent liabilities.

At the balance sheet date, the Company had provided corporate guarantees of approximately HK$487,594,000 (2006: HK$971,506,000) to banks in connection with banking facilities granted to its subsidiaries, which were utilised to the extent of approximately HK$378,739,000 (2006: HK$476,331,000).

35. OPERATING LEASE COMMITMENTS

The Group leases certain of its offices properties and motor vehicles under operating lease arrangements, with leases negotiated for terms ranging from one to five years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2007	2006
	HK$'000	HK$'000
Within one year	**15,387**	6,487
In the second to fifth years, inclusive	**27,587**	7,797
	42,974	14,284

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had the following commitments as at the balance sheet date:

	2007	2006
	HK$'000	HK$'000
Contracted, but not provided for:		
Land and buildings	**32,738**	3,157
Machinery	**12,103**	13,451
Total capital commitments	**44,841**	16,608

At the balance sheet date, the Company did not have any significant commitments.

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37. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year.

	Notes	2007 HK$'000	2006 HK$'000
Purchase of production materials from:			
San Li (1)	(i)	**7,405**	22,209
Sunrise (2)	(i)	**221**	755
San Changs (3)	(i)	**–**	126
Purchase of moulds from:			
Ta Yu Metallic (4)	(i)	**–**	1,293
Chengyang (5)	(i)	**10,041**	3,608
Sale of finished goods to:			
San Li	(ii)	**1,363**	1,205
Sunrise	(ii)	**689**	1,413
Technological support fees paid to:			
Sunrise	(iii)	**3,201**	533
Ta Yu Metallic	(iii)	**–**	533
San Li	(iii)	**6,402**	1,065
Rental expenses paid to:			
Ms. Lin Mei-Li (6)	(iv)	**58**	72
Mr. Cheng Li-Yu (7)	(iv)	**16**	32

Notes:

(1) San Li is controlled by Mr. Cheng Li-Yu, a director of the Company.

(2) Sunrise is controlled by Mr. Cheng Li-Yen, a director of the Company.

(3) San Changs is controlled by Messrs. Cheng Li-Yu, Huang Kuo-Kuang, directors of the Company, and by Ms. Lin Mei-Li, the spouse of Mr. Cheng Li-Yu.

(4) Ta Yu Metallic is controlled by Mr. Horng Tsai-Chin, a former non-executive director of the Company.

(5) Chengyang was a principal subsidiary of the Group's associate, which became a subsidiary of the Company during the year as further detailed in note 33(a) to the financial statements.

(6) Ms. Lin Mei-Li is the spouse of Mr. Cheng Li-Yu, a director of the Company.

(7) Mr. Cheng Li-Yu is a director of the Company.

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37. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

(i) The purchase prices for production materials and moulds were determined at rates mutually agreed between the relevant parties.

(ii) The selling prices of finished goods were determined at rates mutually agreed between the relevant parties.

(iii) The technological support fees were determined at rates mutually agreed between the relevant parties.

(iv) The rentals were determined at rates mutually agreed between the relevant parties.

Apart from the purchase of moulds from Chengyang, the above transactions entered into by the Group during the year ended 31 December 2007 also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Outstanding balances with related parties:

Details of the Group's balances with its related companies as at the balance sheet date are included in notes 22 and 26 to the financial statements.

(c) Compensation of key management personnel of the Group (excluding directors' remuneration):

	2007 HK$'000	2006 HK$'000
Short term employee benefits	**4,460**	4,178
Employee share-based compensation expenses	**1,760**	896
Total compensation paid to key management personnel	**6,220**	5,074

Further details of directors' emoluments are included in note 9 to the financial statements.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2007 **Group**

Financial assets

	Financial assets at fair value through profit or loss–held for trading HK$'000	Loans and receivables HK$'000	Available–for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investment	–	–	120,607	120,607
Trade receivables	–	1,582,689	–	1,582,689
Factored trade receivables	–	443,525	–	443,525
Financial assets included in prepayments, deposits and other receivables	–	100,168	–	100,168
Derivative financial instruments	28,256	–	–	28,256
Pledged bank balances and time deposits	–	53,221	–	53,221
Cash and cash equivalents	–	406,019	–	406,019
	28,256	2,585,622	120,607	2,734,485

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	1,398,375
Financial liabilities included in other payables and accruals	174,965
Bank advances on factored trade receivables	443,525
Interest-bearing bank borrowings	757,178
	2,774,043

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38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2006 Group

Financial assets

	Financial assets at fair value through profit or loss–held for trading HK$'000	Loans and receivables HK$'000	Available–for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investment	–	–	74,210	74,210
Trade receivables	–	942,770	–	942,770
Factored trade receivables	–	373,698	–	373,698
Financial assets included in prepayments, deposits and other receivables	–	129,936	–	129,936
Derivative financial instruments	8,079	–	–	8,079
Pledged bank balances and time deposits	–	156,491	–	156,491
Cash and cash equivalents	–	179,547	–	179,547
	8,079	1,782,442	74,210	1,864,731

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	819,802
Financial liabilities included in other payables and accruals	241,361
Bank advances on factored trade receivables	393,946
Interest-bearing bank borrowings	840,101
	2,295,210

38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	Company	
Financial assets	**2007**	2006
	Loans and receivables	Loans and receivables
	HK$'000	HK$'000
Due from subsidiaries included in interests in subsidiaries *(Note 20)*	**309,610**	308,037
Financial assets included in prepayments, deposits and other receivables	**–**	21
Cash and cash equivalents	**25**	8,420
	309,635	316,478

	Company	
Financial liabilities	**2007**	2006
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	HK$'000
Financial liabilities included in other payables and accruals	**–**	–

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 3.3 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term debt obligations denominated in United States dollars with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
	%	HK$'000
2007		
United States dollar	**50**	**(3,220)**
United States dollar	**(50)**	**3,220**
2006		
United States dollar	50	(3,990)
United States dollar	(50)	3,990

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency.

The Group's exposure to market risk for changes in foreign currency exchange rates relates primarily to certain trade receivables, trade and bills payables and certain cash and cash equivalents in currencies other than the functional currency of the Group's operating subsidiaries. The Group uses derivative financial instruments to reduce its foreign currency risk, but the transactions do not qualify for hedge accounting.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the Renminbi exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in exchange rate	**Increase/ (decrease) in profit before tax**
	%	HK$'000
2007		
If United States dollar strengthens against Renminbi	**6.635**	**11,423**
If United States dollar weakens against Renminbi	**(6.635)**	**(11,423)**
2006		
If United States dollar strengthens against Renminbi	3.280	(8,879)
If United States dollar weakens against Renminbi	(3.280)	8,879

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39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The carrying amount of trade receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's trade receivables. The Group has a significant concentration of credit risk in relation to trade receivables as the trade receivables due from the five largest customers accounted for 83% (2006: 84%) of the Group's trade receivables at the balance sheet date.

The Group performs ongoing credit evaluations of its customers' financial conditions and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectibility of all trade receivables.

With respect to credit risk arising from the other financial assets of the Group, comprising cash and cash equivalents and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure being equal to the carrying amounts of these instruments. There is no significant concentration of credit risk within the Group in relation to the other financial assets.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. In addition, banking facilities have been put in place for contingency purposes.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group	**2007**			
	On demand or within 1 year HK$'000	**2 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade and bills payables	**1,398,375**	**–**	**–**	**1,398,375**
Other payables	**174,778**	**–**	**–**	**174,778**
Bank advances on factored trade receivables	**443,525**	**–**	**–**	**443,525**
Interest-bearing bank borrowings	**757,178**	**–**	**–**	**757,178**
	2,773,856	**–**	**–**	**2,773,856**

	2006			
	On demand or within 1 year HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	819,802	–	–	819,802
Other payables	241,400	–	–	241,400
Bank advances on factored trade receivables	393,946	–	–	393,946
Interest-bearing bank borrowings	838,045	1,306	750	840,101
	2,293,193	1,306	750	2,295,249

NOTES TO FINANCIAL STATEMENTS

31 December 2007

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investment classified as available-for-sale investment (note 24) as at 31 December 2007. The Group's listed investment is listed on Taiwan Stock Exchange Corporation and is valued at quoted market price at the balance sheet date.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the balance sheet date, and their respective highest and lowest points during the year were as follows:

	31 December 2007	**High/low 2007**	31 December 2006	High/low 2006
Taiwan – TSEC Weighted Index	**8,506**	**9,860/ 7,306**	7,824	7,824/ 6,232

The following table demonstrates the sensitivity to a reasonably possible change in the fair value of the equity investment, with all other variables held constant and before any impact on deferred tax, based on its carrying amount at the balance sheet date. For the purpose of this analysis, for the available-for-sale equity investment the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

	Carrying amount of equity investment HK$'000	**Increase/ (decrease) in equity price** %	**Increase/ (decrease) in equity** HK$'000
2007			
Investment listed in:			
Taiwan – Available-for-sale	**120,607**	**57.31**	**69,119**
	120,607	**(57.31)**	**(69,119)**
2006			
Unlisted investment at fair value:			
– Available-for-sale	74,210	14.89	11,051
	74,210	(14.89)	(11,051)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

The Group monitors capital using a gearing ratio, which is calculated as the total bank borrowings over the total assets. The gearing ratios as at the balance sheet dates were as follows:

Group

	2007	2006
	HK$'000	HK$'000
Total bank borrowings	**757,178**	840,101
Total non-current assets	**1,816,292**	1,532,502
Total current assets	**3,408,007**	2,542,529
Total assets	**5,224,299**	4,075,031
Gearing ratio	**14%**	21%

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 8 April 2008.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and the prospectus of the Company dated 25 October 2005, is set out below:

RESULTS

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**5,275,832**	3,558,282	2,671,798	1,561,093	887,332
PROFIT BEFORE TAX	**484,199**	231,823	209,087	262,767	187,301
Tax	**(57,338)**	(30,676)	(16,992)	(21,394)	(22,550)
PROFIT FOR THE YEAR	**426,861**	201,147	192,095	241,373	164,751
Attributable to:					
Equity holders of the Company	**409,988**	202,942	192,095	241,373	164,751
Minority interests	**16,873**	(1,795)	–	–	–
	426,861	201,147	192,095	241,373	164,751

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**5,224,299**	4,075,031	3,604,165	2,339,289	1,123,610
TOTAL LIABILITIES	**(3,039,919)**	(2,490,336)	(2,364,691)	(1,636,658)	(814,653)
MINORITY INTERESTS	**(73,237)**	(33,690)	–	–	–
	2,111,143	1,551,005	1,239,474	702,631	308,957