

REPORT OF THE DIRECTORS

The directors ("Directors") of Ju Teng International Holdings Limited (the "Company") present their first 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 2005.

GROUP REORGANISATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12 July 2004 under the Companies Law of the Cayman Islands. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares ("Shares") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 17 June 2005 (the "Group Reorganisation"). Further details of the Group Reorganisation and the Subsidiaries acquired pursuant thereto are set out in notes 2 and 17 to the financial statements.

On 3 November 2005 (the "Listing Date"), the Company completed its initial public offering and the Shares were listed on the Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Subsidiaries are set out in note 17 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 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 67.

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2005.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last four financial years, as extracted from the audited financial statements and the prospectus ("Prospectus") of the Company dated 25 October 2005, is set out on page 68. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 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 note 26 to the financial statements.

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 on a pro rata basis to existing shareholders.

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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

For the period from the Listing Date to 31 December 2005, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity in the financial statements, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2005, 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\$999,225,000.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$500,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 86% of the total sales for the year and sales to the largest customer included therein amounted to approximately 46%. 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. Tsui Yung Kwok

Non-executive Director:

Mr. Horng Tsai-Chin

Independent non-executive Directors:

Mr. Yu Chwo-Ming
Mr. Tsai Wen-Yu
Mr. Lo Ching Pong

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In accordance with article 112 of the Company's article of association, all Directors will retire by rotation and, being eligible, each of them (other than Mr. Lo Ching Pong) will offer themselves for re-election 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 Governing the Listing of Securities on the Stock Exchange from Mr. Yu Chwo-Ming, Mr. Tsai Wen-Yu and Mr. Lo Ching Pong and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 7 to 8 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the 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 until terminated by not less than three months' notice in writing served by either party on the other.

The non-executive Director and the independent non-executive Directors have 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 and until terminated by not less than three months' notice in writing served by either the Company or the respective Director.

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. Other emoluments are determined by the Company's 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 34 to the financial statements and in the section headed "Connected transactions and continuing connected transactions" of the annual 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 34 to the financial statements, no contract of significance had been entered into between the Company or any of the Subsidiaries and the controlling shareholder of the Company or any of its subsidiaries.

Save as disclosed in note 34 to the financial statements, no contract of significance for the provision of services to the Group by the controlling shareholder or any of its subsidiaries was entered into.

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

As at 31 December 2005, 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 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 discretionary trust (Note 2)	395,947,439 (L) Ordinary Shares	39.59%
Mr. Cheng Li-Yu	Founder and beneficiary of a discretionary trust (Note 2)	395,947,439 (L) Ordinary Shares	39.59%
	Beneficial owner	2,800,000 (L) Ordinary Shares	0.28%

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 owned as to approximately 69.09% 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.

(ii) Interests in underlying Shares

Name of Director	Nature of interest	Number of underlying Shares (Note 1)	Exercise period	Exercise price	Approximate percentage of shareholding
Mr. Tsui Yung Kwok	Beneficial owner	2,800,000 (L) (Note 2)	3 November 2006 to 16 June 2015	HK\$1.26 per Share	0.28% (Note 3)
Mr. Huang Kuo-Kuang	Beneficial owner	579,699 (L) (Note 4)	N/A	N/A	0.058%

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Notes:

1. The letter “L” denotes a long position in the underlying Shares.
2. 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 (“Pre-IPO Share Option Scheme”) of the Company and such share options remained outstanding as at 31 December 2005.
3. This percentage was calculated on the basis of 1,002,800,000 Shares in issue immediately following the exercise in full of all the options granted under the Pre-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. Huang Kuo-Kuang’s long position in the underlying Shares comprised the 579,699 Shares provisionally awarded to him under the share award plan (“Share Award Plan”) adopted by the Company. Pursuant to the rules of the Share Award Plan, these Shares shall only be transferred to and vested in him on the first business day immediately following the expiry of six months after the Listing Date.

Save as disclosed above, as at 31 December 2005, 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 which 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.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 27 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.

PRE-IPO SHARE OPTION SCHEME

The Directors have estimated the following theoretical valuations of the options granted under the Pre-IPO Share Option Scheme during the year, 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 Pre-IPO share options HK\$
Mr. Tsui Yung Kwok	2,800,000	1,422,000

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 (%)	38.46
Risk-free interest rate (%)	3.56
Expected life of option (year)	3.38
Underlying price per share (HK\$)	1.405

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

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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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2005, the interest or short position of the person (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 of Shares held (Note 1)	Approximate percentage of shareholding
Southern Asia	Beneficial owner	395,947,439 (L)	39.59%
Shine Century Assets Corp. (Note 2)	Interest of a controlled corporation	395,947,439 (L)	39.59%
East Asia International Trustees Limited (Note 2)	Trustee (other than a bare trustee)	395,947,439 (L)	39.59%
Ms. Lin Mei-Li (Note 3)	Interest of spouse	398,747,439 (L)	39.87%
Extrawell Developments Limited	Beneficial owner	182,282,174 (L)	18.23%
Willsley Capital Co., Ltd.	Beneficial owner	53,622,158 (L)	5.36%
Mr. Wang Duan (Note 4)	Interest of a controlled corporation	53,622,158 (L)	5.36%
Ms. Wang Fan (Note 5)	Interest of spouse	53,622,158 (L)	5.36%

Notes:

1. The letter "L" denotes a long position in the Share.
2. The Shares were held by Southern Asia, which was owned as to approximately 69.09% 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 was 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 interest 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 was 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.
4. The Shares were registered in the name of Willsley Capital Co., Ltd., which was beneficially owned by Mr. Wang Duan. Mr. Wang Duan was deemed to be interested in all the Shares in which Willsley Capital Co., Ltd. was interested by virtue of the SFO.
5. Ms. Wang Fan was the wife of Mr. Wang Duan and she was deemed to be interested in all the Shares in which Mr. Wang Duan was interested by virtue of the SFO.

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Save as disclosed above, as at 31 December 2005, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "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.

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 entered into 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.

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

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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 date of this 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, Mr. Cheng Li-Yen and Mr. Horng Tsai-Chin, being the Directors, and San Li, Sunrise and Ta Yu, being their respective associates, had given irrevocable non-compete undertaking (collectively, "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 undertakings" 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.

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

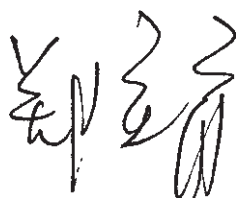
POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

AUDITORS

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

ON BEHALF OF THE BOARD



Chairman

Hong Kong
21 April 2006