

CORPORATE GOVERNANCE REPORT

Ju Teng International Holdings Limited (the “Company”) recognises the importance of good corporate governance to its healthy growth, thus has devoted much efforts into formulating the best corporate governance practices that agree with 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 of Hong Kong Limited (“Stock Exchange”). The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG code. The directors (“Directors”) of the Company consider that since the listing of the shares of the Company on the Main Board of the Stock Exchange on 3 November 2005 (“Listing Date”), the Company has complied with the code provisions of the CG Code, save as disclosed below and save for the code provisions in relation to internal controls, which are to be implemented for accounting periods commencing on or after 1 July 2005.

(A) 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 (the “Board”) of the Directors but there is no chief executive officer appointed in the Company. The day-to-day management of the business of the Company and its subsidiaries (collectively, the “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.

(B) CODE PROVISION A.4.2

Pursuant to code provision A.4.2 of the CG Code, all directors of a listed company appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their respective appointments. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, the articles 108, 111, 112 and 124 of the articles of association (“Articles”) of the Company, which provide for the rotational requirements of the Directors, stipulate that, among other matters, any Director appointed to fill in causal vacancy or as an additional Director shall hold office until the next annual general meeting of the Company and one-third of the then Directors, or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office by rotation at each annual general meeting of the Company. To ensure compliance with the CG Code, a special resolution will be proposed to amend the relevant provisions of the Articles at the forthcoming annual general meeting (“Annual General Meeting”) of the Company so that the Articles will be consistent with code provision A.4.2; and

(C) CODE PROVISION E.2.1

Pursuant to code provision E.2.1 of the CG Code, the chairman of a shareholders’ meeting of a listed company and/or its directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hand, a meeting votes in the opposite manner to that instructed in those proxies. However, the Articles does not provide for such rights conferred to the chairman of the shareholders’ meetings and the Directors. To ensure compliance with the CG Code, a special resolution will be proposed to amend the relevant provisions of the Articles at the Annual General Meeting so that the Articles will be consistent with code provision E.2.1.

BOARD OF DIRECTORS

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

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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 the execution of the plans of the Group.

The non-executive Director and independent non-executive Directors have been appointed by the Company for a term of two years commencing from 17 June 2005 renewable automatically for successive terms of one year each commencing from the day next after the expiring of the then current term of appointment, and until terminated by not less than 3 months' notice in writing served by either the Company or the respective Director. The non-executive Director and independent non-executive Directors are also subject to rotation at annual general meetings pursuant to article 108 of the Articles. 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.

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 from the Listing Date to 31 December 2005.

The emolument payable to Directors is determined by the Board with reference to the Directors' duties and responsibilities.

Save as 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 2005, the Board convened a total of five Board meetings and the individual attendance record of the Directors is tabulated as follows:

Name	Number of meetings held while being a director	Number of meetings attended
Executive Directors		
Mr. Cheng Li-Yu (<i>Chairman</i>)	5	5
Mr. Cheng Li-Yen	5	4
Mr. Huang Kuo-Kuang	5	5
Mr. Tsui Yung Kwok	5	3
Non-executive Director		
Mr. Horng Tsai-Chin	5	2
Independent non-executive Directors		
Mr. Yu Chwo-Ming	5	2
Mr. Tsai Wen-Yu	5	2
Mr. Lo Ching Pong	5	2

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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.

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 consists of three independent non-executive Directors, namely Mr. Yu Chwo-Ming, Mr. Tsai Wen-Yu and Mr. Lo Ching Pong. 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 auditor and also reviews and monitors the external auditor's independence and objectivity as well as the effectiveness of the audit process to make sure that it is in full compliance with applicable standards. Since the establishment of the Audit Committee, the Audit Committee met with the external auditors to review and approve the audit plans and also reviewed the Group's results for the year ended 31 December 2005 and the audit findings with the attendance of the external auditors and Executive Directors.

The Audit Committee convened two meetings since its establishment on 17 June 2005. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Name of Director	Number of meeting held since its establishment	Number of meeting attended
Mr. Yu Chwo-Ming (<i>Chairman</i>)	2	2
Mr. Tsai Wen-Yu	2	2
Mr. Lo Ching Pong	2	2

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\$1.8 million and tax related service fees of HK\$322,600.

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 consists of three independent non-executive Directors and two executive Directors, namely Mr. Yu Chwo-Ming, Mr. Tsai-Wen Yu, Mr. Lo Ching Pong, Mr. Cheng Li-Yu and Mr. Huang Kuo-Kuang. Mr. Yu Chwo-Ming is the Chairman of the Remuneration Committee.

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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. During the reporting period, the Remuneration Committee reviewed remuneration policy and packages of the Directors and senior management for the year.

The Remuneration Committee convened one meeting since its establishment on 17 June 2005. The individual attendance record of each member of the Remuneration Committee is tabulated as follows:

Name of Director	Number of meeting held since its establishment	Number of meeting attended
Mr. Yu Chwo-Ming (<i>Chairman</i>)	1	1
Mr. Tsai Wen-Yu	1	1
Mr. Lo Ching Pong	1	1
Mr. Cheng Li-Yu	1	1
Mr. Huang Kuo-Kuang	1	1

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 auditors' report on the financial statements for the year under review.

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 published in at least one English newspaper and one Chinese newspaper circulated in Hong Kong, and will also be 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's meetings are provided for in the Articles. 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. Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained.

Poll results will be published in the newspapers on the business day following the shareholders' meeting and posted on the website of the Stock Exchange.