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## 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 2006.

### 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 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 85.

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2006.

### 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 86. This summary does not form part of the audited financial statements of the Group for the year ended 31 December 2006.

### 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 note 30 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 of the Company.

### 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.

### 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.



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## DISTRIBUTABLE RESERVES

As at 31 December 2006, the Company's reserves available for distribution, as recognised under the provisions of the Companies Law of the Cayman Islands, amounted to HK\$984,351,000.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 88% of the total sales for the year and sales to the largest customer included therein amounted to approximately 38%. 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	(appointed on 25 May 2006)
Mr. Lo Jung-Te	(appointed on 25 May 2006)
Mr. Tsui Yung Kwok	

### Non-executive Director:

Mr. Horng Tsai-Chin	(resigned on 18 September 2006)
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### Independent non-executive Directors:

Mr. Yu Chwo-Ming	
Mr. Tsai Wen-Yu	
Mr. Lo Ching Pong	(retired on 25 May 2006)
Mr. Yip Wai Ming	(appointed on 25 May 2006)

In accordance with article 108(A) of the Company's article of association, Mr. Hsieh Wan-Fu, Mr. Tsai Wen-Yu and Mr. Yu Chwo-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 ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 the senior management of the Group are set out on pages 8 to 9 of the annual report.



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## Report of the Directors

### 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.

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 2006, 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)	395,947,439 (L) Ordinary Shares	39.59%
Mr. Cheng Li-Yu	Founder of a discretionary trust (Note 2)	395,947,439 (L) Ordinary Shares	39.59%
	Beneficial owner	20,780,000 (L) Ordinary Shares	2.08%
Mr. Huang Kuo-Kuang	Beneficial owner	1,508,125 (L) Ordinary Shares	0.15%
Mr. Lo Jung-Te	Beneficial owner	5,967,942 (L) Ordinary Shares	0.60%

#### 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.

## Report of the Directors

### (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&3)	0.28% (Note 4)
Mr. Hsieh Wan-Fu	Beneficial owner	1,500,000 (L) (Note 2&3)	0.14% (Note 4)
Mr. Lo Jung-Te	Beneficial owner	1,500,000 (L) (Note 2&3)	0.14% (Note 4)
Mr. Tsui Yung Kwok	Beneficial owner	2,800,000 (L) (Note 3&5)	0.27% (Note 4)
	Beneficial owner	998,000 (L) (Note 2&3)	0.09% (Note 4)

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 ("Post-IPO Share Option Scheme") of the Company and such share options remained outstanding as at 31 December 2006.
3. Please refer to note 31 to the financial statements for details of exercise periods and exercise prices of the share options held by the relevant Director.
4. 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 ("Pre-IPO Share Option Scheme") of the Company and 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.
5. 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 2006.

Save as disclosed above, as at 31 December 2006, 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 the 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.

## SHARE OPTION SCHEME

The Directors have estimated the following theoretical valuations of the options granted under the Post-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 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 2006, 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 Division 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	395,947,439 (L) Ordinary Shares	39.59%
Shine Century Assets Corp. (Note 2)	Interest of a controlled corporation	395,947,439 (L) Ordinary Shares	39.59%
East Asia International Trustees Limited (Note 2)	Trustee (other than a bare trustee)	395,947,439 (L) Ordinary Shares	39.59%
Ms. Lin Mei-Li (Note 3)	Interest of spouse	416,727,439 (L) Ordinary Shares	41.67%
Extrawell Developments Limited	Beneficial owner	182,282,174 (L) Ordinary Shares	18.23%

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 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 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.

Save as disclosed above, as at 31 December 2006, 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 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.

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 the 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 ("Products") to Wistron and its subsidiaries ("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 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 Wistron Group amounted to approximately HK\$707,393,000 for the year ended 31 December 2006.

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

- (d) On 13 November 2006, Giant Glory (for itself and on behalf of other members of the Group) entered into the 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; (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).





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## Report of the Directors

### 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, Mr. Cheng Li-Yen and Mr. Horng Tsai-Chin, being the existing and former Directors, respectively, 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 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.

The Company has received the annual confirmations from each of Mr. Cheng Li-Yu, Mr. Cheng Li-Yen, Mr. Horng Tsai-Chin, being the existing and former Directors, respectively, 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.

### 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 2006.

### POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 39 to the financial statements.

### 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



Chairman

Hong Kong  
16 April 2007