



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 of Hong Kong Limited (“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 2006, the Company had complied with the code provisions of the CG Code save for the following:

Code Provision A.1.3

Pursuant to code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting so as to give all directors an opportunity to attend. However, not all regular board meetings held during the year was convened by a notice of more than 14 days. The failure to serve notice timely as required under the relevant CG Code was mainly due to the insufficient time for arranging for the relevant regular board meetings. To ensure compliance with the CG Code and to furnish the directors (“Directors”) of the Company with appropriate information in a timely manner, the chairman of the board (“Board”) of Directors and the company secretary will arrange for the regular Board meetings in advance in order to allow the service of sufficient and proper notice to all the Directors concerned.

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 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. 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 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.



Corporate Governance Report

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.

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 2006.

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 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 2006, the Board convened a total of ten 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 while being a Director	Number of meetings attended
Executive Directors		
Mr. Cheng Li-Yu (<i>Chairman</i>)	10	8
Mr. Cheng Li-Yen	10	8
Mr. Huang Kuo-Kuang	10	9
Mr. Hsieh Wan-Fu (<i>appointed on 25 May 2006</i>)	8	4
Mr. Lo Jung-Te (<i>appointed on 25 May 2006</i>)	8	4
Mr. Tsui Yung Kwok	10	6
Non-executive Director		
Mr. Horng Tsai-Chin (<i>resigned on 18 September 2006</i>)	4	1



Name		Number of meetings held while being a Director	Number of meetings attended
Independent non-executive Directors			
Mr. Yu Chwo-Ming		10	7
Mr. Tsai Wen-Yu		10	6
Mr. Lo Ching Pong	(retired on 25 May 2006)	2	1
Mr. Yip Wai Ming	(appointed on 25 May 2006)	8	5

Board committee meeting will be convened as and when necessary. Three 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 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.

At the conclusion of the annual general meeting of the Company held on 25 May 2006, Mr. Hsieh Wan-Fu and Mr. Lo Jung-Te were appointed as executive Directors and Mr. Yip Wai Ming was appointed as an independent non-executive Director.

As far as the nomination and appointment of Directors are concerned, one board meeting and one Board committee meeting were convened for the year ended 31 December 2006.

The individual attendance record of the Directors at the Board meeting in respect of nomination and appointment of Directors is tabulated as follows:

Name		Number of meeting held while being a Director	Number of meeting attended
Executive Directors			
Mr. Cheng Li-Yu (Chairman)		1	1
Mr. Cheng Li-Yen		1	1
Mr. Huang Kuo-Kuang		1	1
Mr. Hsieh Wan-Fu	(appointed on 25 May 2006)	0	0
Mr. Lo Jung-Te	(appointed on 25 May 2006)	0	0
Mr. Tsui Yung Kwok		1	1
Non-executive Director			
Mr. Horng Tsai-Chin	(resigned on 18 September 2006)	1	1



Corporate Governance Report

Name	Number of meeting held while being a Director	Number of meeting attended
Independent non-executive Directors		
Mr. Yu Chwo-Ming	1	1
Mr. Tsai Wen-Yu	1	1
Mr. Lo Ching Pong (retired on 25 May 2006)	1	1
Mr. Yip Wai Ming (appointed on 25 May 2006)	0	0

The individual attendance record of the members of the Board committee at the Board Committee meeting in respect of nomination and appointment of Directors is tabulated as follows:

Name of Director	Number of meeting held	Number of meeting attended
Mr. Cheng Li-Yu	1	1
Mr. Tsui Yung Kwok	1	1

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 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 the Listing Rules and other applicable standards. For the year ended 31 December 2006, the Audit Committee met with the external auditors to review and approve the audit plans and also reviewed the Group's interim results of 2005 and annual results of 2005 and the audit findings with the attendance of the external auditors and Executive Directors.



The Audit Committee convened three meetings for the year ended 31 December 2006. The individual attendance record of each member of the Audit Committee is tabulated as follows:

Name of Director	Number of meetings held while being a Director	Number of meetings attended
Mr. Yu Chwo-Ming (<i>Chairman</i>)	3	3
Mr. Tsai Wen-Yu	3	3
Mr. Lo Ching Pong (<i>retired on 25 May 2006</i>)	2	2
Mr. Yip Wai Ming (<i>appointed on 25 May 2006</i>)	1	1

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\$2,300,000 and non-audit service fees of HK\$757,000.

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 2006, the Remuneration Committee reviewed remuneration policy and packages of the Directors and senior management and considered and approved the remuneration packages of the three Directors, namely, Mr. Hsieh Wah-Fu, Mr. Lo Jung-Te and Mr. Yip Wai Ming who were appointed in May 2006.

The Remuneration Committee convened two meetings for the year ended 31 December 2006. The individual attendance record of each member of the Remuneration Committee is tabulated as follows:

Name of Director	Name of meetings held while being a Director	Number of meetings held
Mr. Yu Chwo-Ming (<i>Chairman</i>)	2	2
Mr. Tsai Wen-Yu	2	2
Mr. Lo Ching Pong (<i>retired on 25 May 2006</i>)	1	1
Mr. Yip Wai Ming (<i>appointed on 25 May 2006</i>)	0	0
Mr. Cheng Li-Yu	2	2
Mr. Huang Kuo-Kuang	2	2



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 2006 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 its 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 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' 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 published in the newspapers on the business day following the shareholders' meeting and posted on the website of the Stock Exchange.