Annual Report

2005

JU TENG INTERNATIONAL HOLDINGS LIMITED

巨騰國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 3336

CONTENTS

CORPORATE INFORMATION

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

AUTHORISED REPRESENTATIVES

Mr. Cheng Li-Yu
Mr. Tsui Yung Kwok

COMPANY SECRETARY

Mr. Tsui Yung Kwok CA, CPA

QUALIFIED ACCOUNTANT

Mr. Tsui Yung Kwok CA, CPA

AUDIT COMMITTEE

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

COMPLIANCE ADVISER

SinoPac Securities (Asia) Limited

LEGAL ADVISERS

Chiu & Partners

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Agricultural Bank of China
Bank of China
Bank SinoPac
First Sino Bank
Industrial and Commercial Bank of China
The Shanghai Commercial & Savings Bank Ltd.

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
Cayman Islands
British West Indies

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 ("PRC")

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

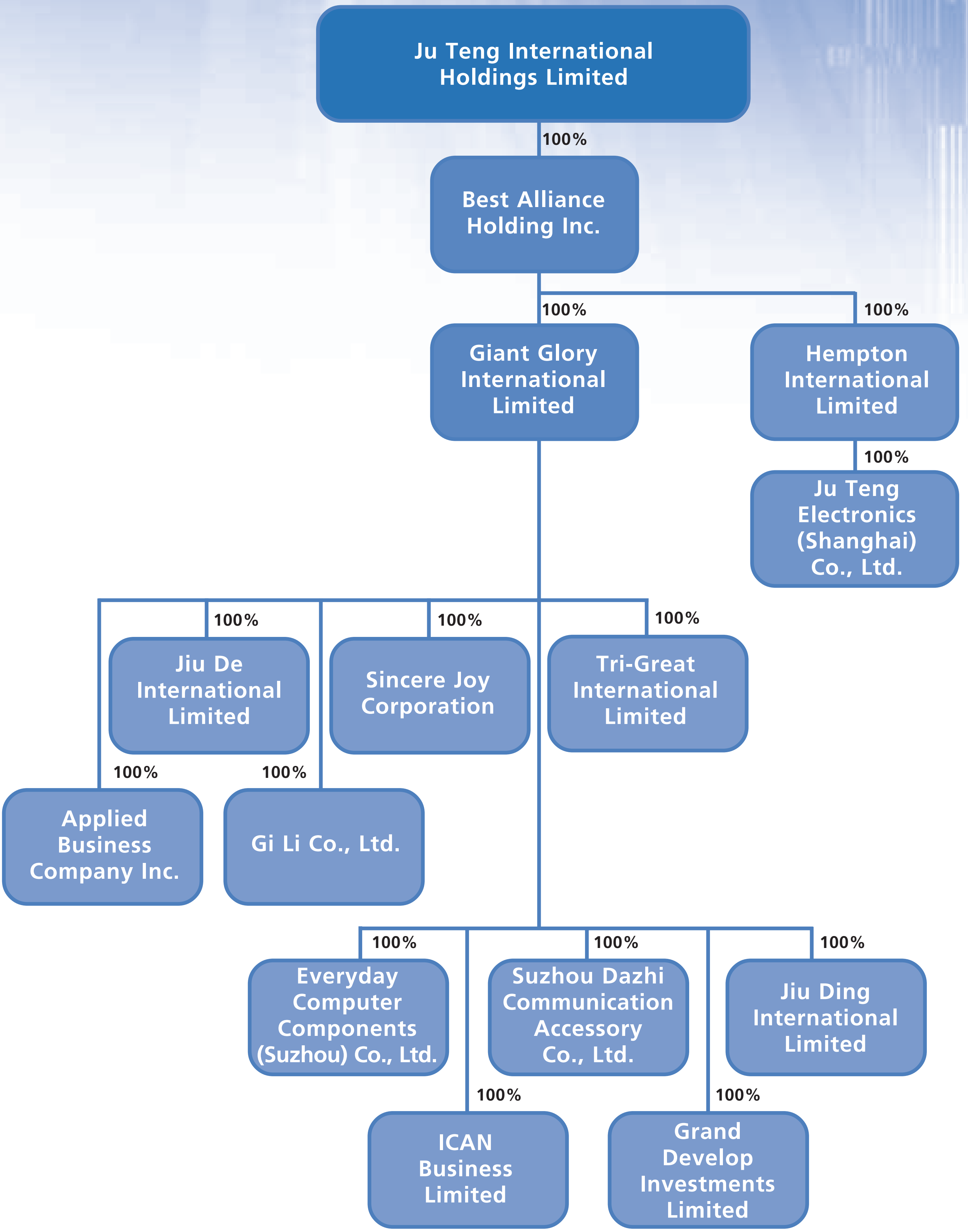
Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Street
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

GROUP STRUCTURE

As at 31 December 2005



CHAIRMAN'S STATEMENT

On behalf of the Board (the "Board") of Directors (the "Directors") of Ju Teng International Holdings Limited (the "Company" or "Ju Teng"), I am pleased to present the annual report of the Company for the year ended 31 December 2005, which is the first annual report of the Company since its listing on the Main Board of The Stock Exchange of Hong Kong Limited on 3 November 2005.

BUSINESS REVIEW

High growth in notebook computer market

As a leading global manufacturer of notebook computer casings, Ju Teng achieved remarkable growth in revenue in 2005. The turnover of the Company and its subsidiaries (collectively, the "Group") increased 71% from approximately HK$1,561 million in 2004 to approximately HK$2,672 million in 2005. The fast growing global notebook computer market and Taiwan's increasing share in the market have benefited Ju Teng greatly. The Directors expect the notebook computer market to continue to deliver growth of over 20% each year in the coming few years bolstered by the replacement of desktop PCs by notebook computers. Taiwan manufacturers currently supply over 70% of notebook computers shipment globally and their market share is still growing after having relocated their production plants to the PRC and built the world's largest notebook supply chain in the Shanghai area. With direct presence in Jiangsu province, Ju Teng is able to work closely with Taiwan notebook computers assembly players, including Quanta, Compal, Asustek and Wistron to increase operational efficiency and optimise product development.

Advanced technologies

Similar to other consumer products, notebook computers need to have appealing product designs to stand out in the market. To attract maximum customers' attention, top notebook computer brands are putting greater efforts into notebook computer design. As a leading notebook computer casing manufacturer, Ju Teng specialises in creating new looks for notebook computers. Ju Teng possesses advanced casing technologies, such as double-shot injection (dual colour injection) which enables moulding and stamping of different plastic materials of different colours into a single piece. Ju Teng's expertise also lies in advanced surface painting and thin-wall moulding. It is capable of spray painting that creates three-dimensional visual effects to give products more colourful and attractive appearances. In terms of material applications, Ju Teng has recently launched the carbon-fibre alloy notebook computer casing that has the rigidity and lightness of light metal and longer mould-production life and ease of painting of plastic. The Directors believe carbon-fibre alloy is likely to become the mainstream material for notebook computer casings.

PROSPECTS

The Directors remain optimistic about the Group's performance in 2006 as they expect a strong demand for notebook computers to continue in 2006. The Group will continue to diversify from notebook computer casings to casings of other electronic products by leveraging at its relationships with existing customers and utilisation of its specialised technological know-how in casing manufacturing. Recognising the importance of being able to constantly develop new and advanced products, the Group will focus on perfecting material applications and spray painting technology. With major challenges in the coming year including rising short term interest rates, raw material price fluctuation and cost implication of the possible appreciation of the Renminbi in the coming year, the Group will strive to improve production efficiency to alleviate the impact of the increase in the production cost.

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
21 April 2006

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and gross profit margin

Benefited from the strong demand for notebook computers, the Group's turnover for the year was approximately HK$2,672 million, representing an increase of 71% over that of 2004. While the Group maintained a substantial growth in revenue, its gross profit margin for the year decreased to 17% from 26% in 2004 because of high material costs pushed up by surging crude oil prices and the start up costs incurred by the new mould production plant and the new production plant in Shanghai.

Operating expenses

The Group's operating costs and other operating expenses, including administrative expenses, selling and distribution costs and other expenses for the year were approximately HK$219 million, representing an increase of 48% as compared with that of 2004. Administrative expenses increased from approximately HK$122 million in 2004 to approximately HK$192 million in 2005 attributable mainly to the business expansion and recruitment of project managers to oversee the development of new products.

Financial costs

Interests of bank borrowings increased significantly by 377% to approximately HK$60 million in 2005 as compared with that of 2004. This was mainly due to the increase in bank borrowings and the increase in the average bank borrowing rate during the year.

Net profit

The Group's net profit declined to approximately HK$192 million in 2005 from approximately HK$241 million in 2004. The decrease in profitability was mainly the result of decrease in gross profit margin and the high interest costs.

LIQUIDITY AND FINANCIAL RESOURCES

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 2005, mainly attributable to the receipt of the proceeds from the issue of the Company's new shares in November 2005 ("IPO Proceeds"), the Group's cash and bank balances amounted to approximately HK$227 million, representing an increase of 56% as compared with that of 2004.

As at 31 December 2005, the Group had a total bank borrowings of approximately HK$869 million, representing a slight decline of 8% from that of 2004. Except for an amount of approximately HK$343 million (2004: HK$770 million) which is matured within one year, all the bank borrowings will be repayable after one year. The Group's bank loans with carrying amounts of approximately HK$829 million (2004: HK$898 million), approximately HK$37 million (2004: HK$45 million), and approximately HK$3 million (2004: HK$3 million) were denominated in U.S. dollars ("USD"), Renminbi ("RMB") and New Taiwan dollars respectively.

During the year, the Group entered into trade receivables factoring facilities on a without recourse basis which improved significantly the Group's cash flow from operating activities to a net cash inflow position of approximately HK$177 million (2004: net cash outflow of HK$306 million). The Group's net increase in cash and cash equivalents of approximately HK$78 million (2004: HK$31 million) was primarily attributable to the cash flows from operating activities and the IPO Proceeds, which were offset by the purchases of fixed assets and repayment of bank borrowings.

The gearing ratio of the Group, calculated as total bank borrowings of approximately HK$869 million (2004: HK$946 million) over total assets of approximately HK$3,604 million (2004: HK$2,339 million), was 24%, representing a substantial improvement from 40% in 2004. The improvement was attributable to the receipt of the IPO Proceeds and the entering of trade receivables factoring facilities on a without recourse basis.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 December 2005, the Group pledged land and buildings and machinery with an aggregate carrying value of approximately HK$751 million (2004: HK$399 million), trade receivables of approximately HK$439 million (2004: HK$604 million) and bank balances of approximately HK$18 million (2004: HK$38 million) as securities for banking facilities.

EMPLOYEES

As at 31 December 2005, the Group had approximately 22,000 employees and staff costs amounted to approximately HK$397 million (2004: HK$248 million). The Group 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 regulations of the PRC. The Group offers discretionary bonuses to its employees based on their individual performance and the performance of the Group.

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, appreciation of the RMB will adversely affect the Group's profitability. Accordingly, the Group has entered into forward foreign exchange contracts to mitigate possible exchange losses relating to fluctuations in the values of the USD and RMB.

USE OF IPO PROCEEDS

The Company was listed on 3 November 2005 ("Listing Date") on the Main Board of The Stock Exchange of Hong Kong Limited, which involved an international placing and public offering of 260 million new shares ("Share Offer") at HK$1.4 per share. The net proceeds from the Share Offer after deducting relevant expenses were approximately HK$322 million. Since the Listing Date, the Group had utilised part of the IPO Proceeds in accordance with the plan disclosed in the Company's prospectus dated 25 October 2005 ("Prospectus"), as to approximately HK$47 million for the acquisition of new machinery, approximately HK$71 million for acquisition of interests in companies engaged in mould manufacturing and production materials supplies, and approximately HK$77 million for the repayment of the outstanding bank borrowings. The balance of the IPO Proceeds was placed with licensed banks in Hong Kong as deposits and will be applied in the future for their intended uses as set out in the Prospectus and as general working capital of the Group.

CAPITAL COMMITMENT

As at 31 December 2005, the capital commitment for which 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$10 million (2004: HK$138 million).

CONTINGENT LIABILITIES

As at 31 December 2005, the Group did not have any significant contingent liabilities.

MANAGEMENT PROFILE

DIRECTORS

Executive Directors

Mr. Cheng Li-Yu (鄭立育), aged 48, 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 20 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 July 2004.

Mr. Cheng Li-Yen (鄭立彥), aged 52, 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 14 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 46, 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 14 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. Tsui Yung Kwok (徐容國), aged 37, 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 bachelor degree in business (Accounting) and is a member of the Institute of Chartered Accountants in Australia, CPA Australia and the Hong Kong Institute of Certified Public Accountants. 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.

Non-executive Director

Mr. Horng Tsai-Chin (洪再進), aged 54, is a non-executive Director. Mr. Horng was a substantial shareholder of Ta Yu Metallic Hardware Company Limited and is one of the founders of the Group. Mr. Horng has actively participated in the formulation of the overall business development, corporate management, strategic planning and decision making of the Group. Mr. Horng was appointed as a non-executive Director on 17 June, 2005.

Independent non-executive Directors

Mr. Yu Chwo-Ming (于卓民), aged 51, 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 was appointed as an independent non-executive Director on 17 June, 2005.

Mr. Tsai Wen-Yu (蔡文預), aged 53, 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 and is the supervisor of Hua Nan Financial Holdings Co., Ltd.. He was appointed as an independent non-executive Director on 17 June, 2005.

MANAGEMENT PROFILE

Mr. Lo Ching Pong (盧正邦), aged 56, is an independent non-executive Director. He gradated from Taiwan National University and obtained his bachelor degree in law in 1972. He also obtained his master degree in comparative law at the University of Illinois in 1975 and then obtained his juris doctor degree at the University of California, Hastings College of the Law in 1978. Mr. Lo had been practicing attorney-at-law in California, the United States from 1978 to 2004. Mr. Lo is currently a managing director of a private investment company responsible for supervising management operation and identifying target companies for investment. He was appointed as an independent non-executive Director on 17 June, 2005.

SENIOR MANAGEMENT

Mr. Lo Jung-Te (羅榮德), aged 46, joined the Group in 2004 as senior vice president. He is responsible for the supervision of the manufacture and development of the Group's machinery moulding. He also assists with the Group's expansion of new markets into non-notebook computer casing manufacturing.

Mr. Hsieh Wan-Fu, **(謝萬福)** aged 43, joined the Group in 2003 as senior vice president. 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 customers.

Mr. Huang Cheng Pin (黃正斌), aged 40, is an assistant to Mr. Cheng Li-Yu. He joined the Group in 2003. Mr. Huang has over nine 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 assist the Group's financial planning.

Mr. Chao Min-Jen (趙明仁), aged 37, 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 13 years. He is responsible for assisting in the price determination of the Group's products, and for supporting the sales and marketing function and after-sales services.

Mr. Liu Wei-Cheng (劉為政), aged 48, 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 17 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 42, is an associate vice president of the Group who joined the Group in 2001. Mr. Chang has been working in the metal industry for 19 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 35, 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 12 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 40, is an assistant to Mr. Cheng Li-Yu. He joined the Group in 2003. Mr. Lu has over 15 years of experience in quality control. He is 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 46, is an assistant to Mr. Cheng Li-Yu and joined the Group in 2004. He is responsible to assist 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 59, 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 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.

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

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

REPORT OF THE DIRECTORS

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.

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%

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.

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.

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.

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 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

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.

CORPORATE GOVERNANCE REPORT

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 *(Chairman)*	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

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 *(Chairman)*	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.

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 *(Chairman)*	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' 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.

REPORT OF THE AUDITORS

ERNST & YOUNG
安永會計師事務所

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

We have audited the financial statements on pages 22 to 67 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion 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.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Hong Kong
21 April 2006

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000
REVENUE	5	**2,671,798**	1,561,093
Cost of sales		**(2,229,736)**	(1,159,259)
Gross profit		**442,062**	401,834
Other income and gains	5	**45,801**	21,542
Selling and distribution costs		**(23,667)**	(21,191)
Administrative expenses		**(191,815)**	(121,574)
Other expenses		**(3,362)**	(5,287)
Finance costs	6	**(59,932)**	(12,557)
PROFIT BEFORE TAX	7	**209,087**	262,767
Tax	10	**(16,992)**	(21,394)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11	**192,095**	241,373
DIVIDEND	12	**–**	–
EARNINGS PER SHARE	13		
– Basic (HK cents)		**24.6**	32.6
– Diluted (HK cents)		**24.6**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2005

	Notes	2005 HK$'000	2004 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,159,704**	855,706
Lease premium for land	15	**15,956**	12,690
Deferred tax assets	16	**3,913**	2,092
Prepayments for acquisition of investments		**33,462**	–
Prepayments for acquisition of property, plant and equipment		**–**	40,249
Total non-current assets		**1,213,035**	910,737
CURRENT ASSETS			
Inventories	18	**764,963**	415,515
Trade receivables	19	**797,530**	747,564
Factored trade receivables	19	**502,067**	–
Prepayments, deposits and other receivables	20	**65,313**	66,063
Derivative financial instruments	25	**3,565**	4,107
Pledged bank balances and time deposits	21	**30,993**	49,981
Cash and cash equivalents	21	**226,699**	145,322
Total current assets		**2,391,130**	1,428,552
CURRENT LIABILITIES			
Trade and bills payables	22	**629,985**	433,554
Other payables and accruals	23	**289,137**	209,129
Tax payable		**63,730**	48,068
Bank advances on factored trade receivables	19	**512,477**	–
Interest-bearing bank borrowings	24	**343,102**	770,390
Total current liabilities		**1,838,431**	1,461,141
NET CURRENT ASSETS/(LIABILITIES)		**552,699**	(32,589)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,765,734**	878,148
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	**526,260**	175,517
Net assets		**1,239,474**	702,631
EQUITY			
Issued capital	26	**100,000**	410,280
Reserves	28(a)	**1,139,474**	292,351
Total equity		**1,239,474**	702,631

Cheng Li-Yu
Director

Huang Kuo-Kuang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2005

	Notes	Issued share capital HK$'000 (Note(a))	Share premium account HK$'000 (Note(c))	Contributed surplus HK$'000 (Note(c))	Employee share-based compensation reserve HK$'000 (Note(c))	Statutory reserve fund HK$'000 (Notes(b),(c))	Exchange fluctuation reserve HK$'000 (Note(c))	Retained profits HK$'000 (Note(c))	Total equity HK$'000
At 1 January 2004		93,378	27,349	–	–	14,012	(4,205)	178,423	308,957
Exchange realignment and net loss recognised directly in equity		–	–	–	–	–	(3,086)	–	(3,086)
Profit for the year		–	–	–	–	–	–	241,373	241,373
Total income and expense for the year		–	–	–	–	–	(3,086)	241,373	238,287
Issue of share capital		43,635	111,752	–	–	–	–	–	155,387
Capitalisation issue of shares		273,267	(123,855)	–	–	–	(7,243)	(142,169)	–
Transfer from retained profits		–	–	–	–	9,782	–	(9,782)	–
At 31 December 2004 and 1 January 2005		410,280	15,246	–	–	23,794	(14,534)	267,845	702,631
Exchange realignment and net gain recognised directly in equity		–	–	–	–	–	19,025	–	19,025
Profit for the year		–	–	–	–	–	–	192,095	192,095
Total income and expense for the year		–	–	–	–	–	19,025	192,095	211,120
Reorganisation adjustment		(405,020)	(15,246)	420,266	–	–	–	–	–
New issue of shares	26	26,000	338,000	–	–	–	–	–	364,000
Capitalisation issue of shares	26	68,740	(68,740)	–	–	–	–	–	–
Share issue expenses	26	–	(42,133)	–	–	–	–	–	(42,133)
Share-based compensation arrangements	27	–	–	–	3,856	–	–	–	3,856
At 31 December 2005		**100,000**	**227,127**	**420,266**	**3,856**	**23,794**	**4,491**	**459,940**	**1,239,474**

Notes:

(a) The balance of the issued share capital as at 1 January 2004 represents the issued share capital of Giant Glory International Limited, the then holding company of the companies comprising the Group. The balance of the issued share capital as at 31 December 2004 represents the issued share capital of Best Alliance Holding Inc., the then holding company of the companies comprising the Group.

(b) In accordance with the relevant regulations in the People's Republic of China ("PRC"), 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.

(c) These reserve accounts comprise the consolidated reserves of HK$1,139,474,000 (2004: HK$292,351,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**209,087**	262,767
Adjustments for:			
Finance costs	6	**59,932**	12,557
Interest income	5	**(2,245)**	(977)
Depreciation	7	**91,634**	48,326
Amortisation of lease premium for land	7	**357**	397
Loss on disposal of items of property, plant and equipment, net	7	**813**	–
Provision for slow-moving and obsolete inventories	7	**23,136**	17,674
Employee share-based compensation expenses		**3,856**	–
Operating profit before working capital changes		**386,570**	340,744
Increase in inventories		**(372,584)**	(269,591)
Increase in trade receivables		**(49,966)**	(388,548)
Increase in factored trade receivables		**(502,067)**	–
Increase in prepayments, deposits and other receivables		**(10,482)**	(67,224)
Decrease/(increase) in derivative financial instruments		**542**	(4,107)
Increase in lease premium for land		**(3,623)**	(1,192)
Increase in trade and bills payables		**196,431**	126,115
Increase/(decrease) in other payables and accruals		**75,871**	(15,992)
Increase in bank advances on factored trade receivables		**512,477**	–
Cash generated from/(used in) operations		**233,169**	(279,795)
Mainland China income tax paid		**(7,789)**	(10,685)
Overseas income tax paid		**–**	(774)
Mainland China income tax refund		**4,719**	–
Interest received		**2,245**	977
Interest paid		**(55,795)**	(16,073)
Net cash inflow/(outflow) from operating activities		**176,549**	(306,350)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(346,627)**	(409,133)
Proceeds from disposal of items of property, plant and equipment		**5,786**	9
Decrease/(increase) in pledged bank balances and time deposits		**18,988**	(19,818)
Increase in prepayments for acquisition of investments		**(22,230)**	–
Acquisition of subsidiaries	29	**–**	4,297
Net cash outflow from investing activities		**(344,083)**	(424,645)

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

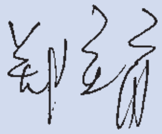
Year ended 31 December 2005

	Notes	**2005 HK$'000**	2004 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**2,043,888**	1,543,609
Repayment of bank loans		**(2,120,433)**	(872,108)
Proceeds from issue of shares	26	**364,000**	90,120
Share issue expenses	26	**(42,133)**	–
Net cash inflow from financing activities		**245,322**	761,621
NET INCREASE IN CASH AND CASH EQUIVALENTS		**77,788**	30,626
Cash and cash equivalents at beginning of year		**145,322**	116,077
Effect of foreign exchange rate changes, net		**3,589**	(1,381)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**226,699**	145,322
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**226,699**	145,322

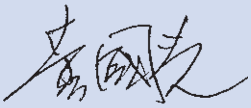
BALANCE SHEET

31 December 2005

	Notes	2005 HK$'000	2004 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	17	**969,701**	–
Total non-current assets		**969,701**	–
CURRENT ASSETS			
Prepayments, deposits and other receivables	20	**279**	–
Cash and cash equivalents	21	**129,339**	–
Total current assets		**129,618**	–
CURRENT LIABILITIES			
Other payables and accruals	23	**2,053**	–
NET CURRENT ASSETS		**127,565**	–
Net assets		**1,097,266**	–
EQUITY			
Issued capital	26	**100,000**	–
Reserves	28(b)	**997,266**	–
Total equity		**1,097,266**	–



Cheng Li-Yu
Director



Huang Kuo-Kuang
Director

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. GROUP REORGANISATION AND BASIS OF PRESENTATION

Group reorganisation

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's 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") . This was accomplished by acquiring the entire issued share capital of Best Alliance Holding Inc, which was the intermediate holding company of the subsidiaries set out in note 17 to the financial statements, in consideration of and in exchange for the allotment and issue of 52,599,999 shares of HK$0.1 each in the share capital of the Company, credited as fully paid, to the former shareholders of Best Alliance Holding Inc.

Further details of the Group Reorganisation are set out in the Company's prospectus dated 25 October 2005.

The shares of the Company were listed on the Main Board of the Stock Exchange on 3 November 2005.

Basis of presentation and consolidation

The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group Reorganisation. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented rather than from the date of their acquisition. Accordingly, the consolidated results of the Group for the years ended 31 December 2005 and 2004 include the results of the Company and its subsidiaries with effect from 1 January 2004 or since their respective dates of incorporation/registration, where this is a shorter period, except for Hempton International Limited ("Hempton") and Ju Teng Electronics (Shanghai) Co., Ltd. ("Ju Teng Electronics") which are consolidated from the date of acquisition as further explained below. The comparative combined balance sheet as at 31 December 2004 has been prepared on the basis that the existing Group had been in place at that date.

The acquisition of Hempton and Ju Teng Electronics during the prior 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 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. The results of Hempton and Ju Teng Electronics are consolidated from the date of acquisition.

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

All significant intercompany transactions and balances within the Group are eliminated in the preparation of the consolidated financial statements.

3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include 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, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

The Group has adopted all applicable new and revised HKFRSs, which are effective for accounting periods beginning on 1 January 2005, since 1 January 2004.

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. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC) -Int 4	Determining whether an Arrangement contains a Lease
HK (IFRIC) -Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK (IFRIC) -Int 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
HK (IFRIC) -Int 7	Applying the Restatement Approach under HKAS 29 - Financial Reporting in Hyperinflationary Economies

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

Except as stated above, the Group expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

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.

Impairment of assets

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 calculated as 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.

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, however 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.

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 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.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 profit or loss.

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.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payment transactions

The Company operates a Pre-IPO share option scheme, a 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 at which they are granted. The fair value is determined by an external valuer, further details of which are given in note 27. 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.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 profit or loss. 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.

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 combined 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 a jointly-controlled entity;

(c) the party is an associate;

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

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

(f) 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 (d) or (e) ; or

(g) 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.

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 lease payments 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 financial assets at fair value through profit or loss, loans and receivables or 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 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, i.e., the date that the Group commits to purchase 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 carried at amortised cost using the effective interest method. 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in unlisted equity securities that are designated as available-for-sale or are not classified in the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses being 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.

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.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or 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 effect 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 profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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. 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.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

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 profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

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.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risk 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 statements, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which 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.

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.

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 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.

The Group's forward currency contracts do not qualify for hedge accounting and accordingly gains or losses arising from changes in fair value on derivatives are taken directly to net profit or loss 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. 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 segments

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 2005 and 2004.

Segment revenue from external customers:

	2005	2004
	HK$'000	HK$'000
Mainland China	**2,415,718**	1,371,569
The Republic of China ("ROC")	**244,315**	187,721
Others	**11,765**	1,803
	2,671,798	1,561,093

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments *(continued)*

Segment assets:

	2005 HK$'000	2004 HK$'000
Mainland China	**3,180,921**	2,012,579
The ROC	**290,873**	313,533
Others	**132,371**	13,177
	3,604,165	2,339,289

Segment capital expenditure:

	2005 HK$'000	2004 HK$'000
Mainland China	**385,942**	408,749
The ROC	**909**	3,217
Others	**25**	785
	386,876	412,751

5. 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:

	2005 HK$'000	2004 HK$'000
Revenue		
Sale of goods	**2,671,798**	1,561,093

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

	2005 HK$'000	2004 HK$'000
Other income		
Interest income	**2,245**	977
Subcontracting fee income	**2,490**	3,577
Sale of scrap materials	**10,916**	7,454
Sale of used moulds	**1,645**	3,162
Subsidy income	**1,671**	5,565
Others	**1,655**	807
	20,622	21,542
Gains		
Exchange gains, net	**25,179**	–
	45,801	21,542

6. FINANCE COSTS

	Group	
	2005 HK$'000	2004 HK$'000
Interest on bank loans and other loans wholly repayable:		
Within five years	**59,896**	16,001
Over five years	**36**	72
Total interest	**59,932**	16,073
Less: Interest capitalised	**–**	(3,516)
	59,932	12,557

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2005	2004
	HK$'000	HK$'000
Cost of inventories sold	**2,176,868**	1,122,476
Auditors' remuneration	**1,800**	180
Depreciation	**91,634**	48,326
Amortisation of lease premium for land	**357**	397
Minimum lease payments under operating leases:		
Land and buildings	**3,763**	1,116
Motor vehicles	**2,113**	1,391
Provision for slow-moving and obsolete inventories*	**23,136**	17,674
Employee benefits expense (excluding directors' remuneration – note 8):		
Wages and salaries, bonuses, allowances and welfare	**383,167**	240,055
Employee share-based compensation expenses	**2,850**	–
Pension scheme contributions	**11,149**	7,638
	397,166	247,693
Government subsidy	**(1,671)**	–
Loss on disposal of items of property, plant and equipment , net	**813**	–
Exchange losses, net	**–**	5,283

* The provision for slow-moving and obsolete inventories is included in "Cost of sales" on the face of the consolidated income statement.

8. 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	
	2005	2004
	HK$'000	HK$'000
Fees	**210**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**2,783**	2,100
Employee share-based compensation expenses	**1,006**	–
Pension scheme contributions	**12**	5
	4,011	2,105

During the year, certain directors were granted options under the Pre-IPO share option scheme and shares under the share award plan in respect of their services to the Group, further details of which are set out in note 27 to the financial statements. The fair value of such options and shares which has been amortised to the income statement, was determined as at the date of the grant and was included in the above directors' remuneration disclosures.

The remuneration of each of the directors for the year ended 31 December 2005 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	–	662	–	–	662
Mr. Cheng Li-Yen	–	597	–	–	597
Mr. Huang Kuo-Kuang	–	601	446	–	1,047
Mr. Tsui Yung Kwok	–	923	560	12	1,495
Mr. Horng Tsai-Chin	–	–	–	–	–
Mr. Yu Chwo-Ming	70	–	–	–	70
Mr. Tsai Wen-Yu	70	–	–	–	70
Mr. Lo Ching Pong	70	–	–	–	70
	210	2,783	1,006	12	4,011

8. DIRECTORS' REMUNERATION *(continued)*

The remuneration of each of the directors for the year ended 31 December 2004 is set out below:

Name of director	Fees	Salaries, allowances and benefits in kind	Employee share-based compensation expenses	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Cheng Li-Yu	–	542	–	–	542
Mr. Cheng Li-Yen	–	523	–	–	523
Mr. Huang Kuo-Kuang	–	621	–	–	621
Mr. Tsui Yung Kwok	–	414	–	5	419
Mr. Horng Tsai-Chin	–	–	–	–	–
Mr. Yu Chwo-Ming	–	–	–	–	–
Mr. Tsai Wen-Yu	–	–	–	–	–
Mr. Lo Ching Pong	–	–	–	–	–
	–	2,100	–	5	2,105

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two (2004: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2004: one), non-director, highest paid employees for the year are as follows:

	Group	
	2005	2004
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,619**	603
Bonuses	**134**	–
Employee share-based compensation expenses	**713**	–
	2,466	603

The remuneration of the three non-director, highest paid employees for the year fell within the Nil to HK$1,000,000 band.

10. 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 countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

	2005	2004
	HK$'000	HK$'000
Provision for the year:		
Mainland China	**11,770**	13,113
Overseas	**11,681**	10,733
Overprovision in prior years – overseas	**–**	(360)
Tax refund	**(4,719)**	–
Deferred tax – Note 16	**(1,740)**	(2,092)
Total tax charge for the year	**16,992**	21,394

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are principally 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 – 2005

	Hong Kong		Mainland China		Overseas		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(8,098)		167,786		49,399		209,087	
Tax at the statutory tax rate	(1,417)	17.5	55,369	33.0	12,350	25.0	66,302	31.7
Preferential tax rates	–	–	(45,955)	(27.4)	–	–	(45,955)	(22.0)
Income not subject to tax	–	–	–	–	(418)	(0.8)	(418)	(0.2)
Expenses not deductible for tax	1,417	(17.5)	146	0.1	219	0.4	1,782	0.9
Tax refund	–	–	(4,719)	(2.8)	–	–	(4,719)	(2.3)
Tax charge at the Group's effective rate	–	–	4,841	2.9	12,151	24.6	16,992	8.1

10. TAX *(continued)*

Group - 2004

	Hong Kong		Mainland China		Overseas		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(367)		214,589		48,545		262,767	
Tax at the statutory tax rate	(64)	17.5	70,814	33.0	12,136	25.0	82,886	31.5
Preferential tax rates	–	–	(58,157)	(27.1)	–	–	(58,157)	(22.1)
Income not subject to tax	–	–	(68)	–	(4,769)	(9.8)	(4,837)	(1.8)
Expenses not deductible for tax	64	(17.5)	524	0.2	914	1.9	1,502	0.5
Tax charge at the Group's effective rate	–	–	13,113	6.1	8,281	17.1	21,394	8.1

Pursuant to an approval document dated 28 December 2001 issued by the Tax Bureau of Wujiang City, the PRC (the "Tax Bureau"), Everyday Computer Components (Suzhou) Co., Ltd. ("Everyday Computer"), a subsidiary of the Company, is subject to a preferential tax rate of 24% as Everyday Computer is recognised as a foreign investment manufacturing enterprise. In addition, Everyday Computer is a foreign investment enterprise and is entitled to full exemption from income tax for two years starting from the first profitable year which was the year ended 31 December 2002 and a 50% relief for the three years thereafter.

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% 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 1 January 2004 as Suzhou Dazhi had commenced its operations for less than six months in its first year of entitlement.

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% relief for the three years thereafter.

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net loss from ordinary activities attributable to equity holders of the Company for the year ended 31 December 2005 dealt with in the financial statements of the Company, was HK$5,815,000 (2004: Nil) (note 28 (b)).

12. DIVIDEND

No dividend has been paid or declared by the Company during the year. The dividend distributed by the companies now comprising the Group during the prior year is as follows:

	2004 HK$'000
Everyday Computer	85,800
Less: Intra-group dividend	(85,800)
	–

The dividend rates and the number of shares ranking for dividend, are not presented as, in the opinion of the directors, such information is not considered meaningful.

13. EARNINGS PER SHARE

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$192,095,000 (2004: HK$241,373,000) and the weighted average number of 782,027,397 (2004: 740,000,000) shares in issue during the year, on the assumption that the Group Reorganisation and the capitalisation issue of shares as further detailed in note 26 had been completed on 1 January 2004.

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$192,095,000 (2004: HK$241,373,000). The weighted average number of shares used in the calculation is the 782,027,397 (2004: 740,000,000) shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of 66,953 shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential shares into shares.

A diluted earnings per share amount for the year ended 31 December 2004 has not been disclosed as no diluting events existed during that year.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Machinery HK$'000	Furniture, Fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:							
At 1 January 2004	106,947	974	265,144	10,294	3,250	72,970	459,579
Additions	13,695	1,696	241,839	19,745	4,002	131,774	412,751
Acquisition of subsidiaries (note 29)	–	4,759	31,266	843	1,073	25,402	63,343
Transfers	175,955	–	5,786	4,105	–	(185,846)	–
Disposals	–	–	(9)	–	–	–	(9)
Exchange realignment	39	16	–	63	3	–	121
At 31 December 2004 and 1 January 2005	296,636	7,445	544,026	35,050	8,328	44,300	935,785
Additions	26,897	2,250	221,884	26,007	2,611	107,227	386,876
Transfers	137,987	–	5,009	5,047	559	(148,602)	–
Disposals	–	(5,673)	(3,636)	(722)	(374)	(2,534)	(12,939)
Exchange realignment	5,592	135	10,052	669	160	620	17,228
At 31 December 2005	**467,112**	**4,157**	**777,335**	**66,051**	**11,284**	**1,011**	**1,326,950**
Accumulated depreciation:							
At 1 January 2004	5,113	130	18,385	1,954	667	–	26,249
Provided during the year	8,199	2,487	33,051	3,492	1,097	–	48,326
Acquisition of subsidiaries (note 29)	–	2,683	2,495	194	116	–	5,488
Exchange realignment	1	1	–	12	2	–	16
At 31 December 2004 and 1 January 2005	13,313	5,301	53,931	5,652	1,882	–	80,079
Provided during the year	16,381	1,111	63,530	8,628	1,984	–	91,634
Disposals	–	(5,315)	(569)	(204)	(252)	–	(6,340)
Exchange realignment	256	74	1,402	106	35	–	1,873
At 31 December 2005	**29,950**	**1,171**	**118,294**	**14,182**	**3,649**	**–**	**167,246**
Net book value:							
At 31 December 2005	**437,162**	**2,986**	**659,041**	**51,869**	**7,635**	**1,011**	**1,159,704**
At 31 December 2004	283,323	2,144	490,095	29,398	6,446	44,300	855,706

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

	2005 HK$'000	2004 HK$'000
Freehold outside Hong Kong	**3,914**	3,996
Medium term leases outside Hong Kong	**433,248**	279,327
	437,162	283,323

At 31 December 2005, certain of the Group's land and buildings and machinery with an aggregate net book value of approximately HK$740,177,000 (2004: HK$391,107,000) were pledged to secure certain banking facilities granted to the Group (note 24).

15. LEASE PREMIUM FOR LAND

	Group	
	2005 HK$'000	2004 HK$'000
Carrying amount at 1 January	**12,690**	9,687
Addition during the year	**3,623**	1,192
Acquisition of subsidiaries (note 29)	**–**	2,208
Recognised during the year	**(357)**	(397)
Carrying amount at 31 December	**15,956**	12,690

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

At 31 December 2005, certain of the Group's land with an aggregate net book value of approximately HK$11,220,000 (2004: HK$7,958,000) was pledged to secure certain banking facilities granted to the Group (note 24).

16. DEFERRED TAX ASSETS

Losses available for offset against future taxable profit are as follows:

	Group	
	2005 HK$'000	2004 HK$'000
At beginning of year	**2,092**	–
Deferred tax credited to the profit and loss account during the year – Note 10	**1,740**	2,092
Exchange realignment	**81**	–
At end of year	**3,913**	2,092

The Group had tax losses arising in the PRC and the ROC of approximately HK$29,469,000 (2004: HK$Nil) and HK$6,812,000 (2004: HK$8,368,000), respectively, that are available for offset against future taxable profits of the subsidiaries in which the losses arose. Based on the financial projections of these subsidiaries prepared by the directors of the Company, the directors expected that these subsidiaries will have sufficient taxable profits generated in the future to utilise these tax losses and accordingly, deferred tax assets have been recognised.

17. INTERESTS IN SUBSIDIARIES

	Company 2005 HK$'000	Company 2004 HK$'000
Unlisted shares, at cost	**777,358**	–
Due from subsidiaries	**192,343**	–
	969,701	–

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

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	Equity interest attributable to the Company Indirect	Principal activities
Best Alliance Holding Inc. ("Best Alliance")	British Virgin Islands ("BVI")	US$52,600,000 Ordinary	100%	–	Investment holding
Giant Glory International Limited ("Giant Glory")	Samoa	US$49,777,419 Ordinary	–	100%	Investment holding and sale of notebook computer casings and related materials
Everyday Computer Components (Suzhou) Co., Ltd.*@	The PRC	US$35,000,000	–	100%	Manufacture and sale of notebook computer casings
Suzhou Dazhi Communication Accessory Co., Ltd.*@	The PRC	US$55,000,000	–	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

17. 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
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
Hempton International Limited#	Samoa	US$3,500,000 Ordinary	–	100%	Investment holding and sale of paint
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

Acquired by the Group on 30 June 2004

* Registered as wholly-foreign-owned enterprises under PRC law.

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

18. INVENTORIES

	Group 2005 HK$'000	Group 2004 HK$'000
Production materials	**280,408**	210,547
Work in progress	**334,208**	97,305
Finished goods	**129,140**	75,863
Moulds and consumable tools	**21,207**	31,800
	764,963	415,515

19. 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:

Trade receivables

	Group 2005 HK$'000	Group 2004 HK$'000
Within 3 months	**558,198**	510,700
4 – 6 months	**229,889**	223,422
7 – 12 months	**5,781**	9,738
Over 1 year	**3,662**	3,704
	797,530	747,564

Factored trade receivables

	Group 2005 HK$'000	Group 2004 HK$'000
Within 3 months	**312,337**	–
4 – 6 months	**188,618**	–
7 – 12 months	**1,112**	–
	502,067	–

At 31 December 2005, certain subsidiaries of the Group had factored trade receivables of HK$502,067,000 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.

19. TRADE RECEIVABLES *(continued)*

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.

	Notes	**2005 HK$'000**	2004 HK$'000
San Li Company Limited ("San Li")	34	**525**	564
Ta Yu Metallic Company Limited ("Ta Yu Metallic")	34	**3**	15
Sunrise Plastic Injection Company Limited ("Sunrise")	34	**2,017**	1,540
San Changs Co., Ltd. ("San Changs")	34	**110**	–
		2,655	2,119

At 31 December 2005, certain of the Group's trade receivables amounting to HK$439,110,000 (2004: HK$604,053,000) in aggregate, were pledged to secure certain banking facilities granted to the Group (note 24).

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		**Company**	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Prepayments	**14,399**	37,662	**172**	–
Deposits and other receivables	**50,914**	28,082	**107**	–
Due from related companies	**–**	319	**–**	–
	65,313	66,063	**279**	–

Particulars of the amounts due from related companies are as follows:

	Group	
	2005 HK$'000	2004 HK$'000
San Li	**–**	156
Sunrise	**–**	163
	–	319

The maximum amounts outstanding during the year are as follows:

	Group	
	2005 HK$'000	2004 HK$'000
San Li	**156**	190
Sunrise	**163**	163

The amounts due from related companies are unsecured, interest-free and have no fixed terms of repayment.

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**237,109**	145,322	**129,339**	–
Time deposits	**20,583**	49,981	**–**	–
	257,692	195,303	**129,339**	–
Less: Pledged bank balances and time deposits (note)	**(30,993)**	(49,981)	**–**	–
Cash and cash equivalents	**226,699**	145,322	**129,339**	–

Note: The pledged bank balances and time deposits as at 31 December 2005 included bank balance of HK$10,410,000 relating to settlement of factored trade receivables by a customer before the year end but not yet offset by the bank against the advance from factoring of the relevant trade receivables.

The Group's pledged bank balances and time deposits of HK$18,435,000 (2004: HK$38,298,000) were applied to secure certain banking facilities granted to the Group (note 24).

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC 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 2005, the cash and cash equivalents which were subject to exchange and/or remittance restrictions in the PRC or the ROC amounted to approximately HK$81,880,000 (2004: HK$44,117,000).

22. TRADE AND BILLS PAYABLES

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

	Group	
	2005	2004
	HK$'000	HK$'000
Within 3 months	**511,356**	383,486
4 – 6 months	**91,062**	40,779
7 – 12 months	**19,424**	5,321
Over 1 year	**8,143**	3,968
	629,985	433,554

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

22. TRADE AND BILLS PAYABLES *(continued)*

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

	Notes	**2005 HK$'000**	2004 HK$'000
San Li	34	**11,469**	10,264
Ta Yu Metallic	34	**277**	2,583
Sunrise	34	**877**	2,453
San Changs	34	**58**	148
Southern Asia Management Limited ("Southern Asia")	34	**1,261**	1,287
Extrawell Developments Limited ("Extrawell")	34	**533**	936
Ever Grand Group Limited ("Ever Grand")	34	**571**	1,388
		15,046	19,059

23. OTHER PAYABLES AND ACCRUALS

	Group		**Company**	
	2005 HK$'000	2004 HK$'000	**2005 HK$'000**	2004 HK$'000
Other payables	**202,524**	140,379	**–**	–
Accruals	**86,613**	68,541	**2,053**	–
Due to related company – note	–	209	**–**	–
	289,137	209,129	**2,053**	–

Note:

The amount due to the related company is as follows:

	2005 HK$'000	2004 HK$'000
San Li	**–**	209

The amount due to the related company was unsecured, interest-free and had no fixed terms of repayment.

24. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 2005 HK$'000	2004 HK$'000
Current				
Bank loans - secured	3.25-6.29	2006	**269,496**	754,826
Bank loans - unsecured	3.55-5.54	2006	**73,606**	15,564
			343,102	770,390
Non-current				
Bank loans - secured	3.25-6.29	2007-2014	**526,260**	2,543
Bank loans - unsecured	N/A	N/A	**–**	172,974
			526,260	175,517
			869,362	945,907

	2005 HK$'000	2004 HK$'000
Repayable:		
Within one year	**343,102**	770,390
In the second year	**524,252**	156,290
In the third to fifth years, inclusive	**974**	17,885
Beyond five years	**1,034**	1,342
	869,362	945,907

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$751,397,000 (2004: HK$399,065,000);

(ii) floating charges over certain of the Group's trade receivables of HK$439,110,000 (2004: HK$604,053,000) in aggregate;

(iii) the pledge of certain of the Group's bank balances and time deposits amounting to HK$18,435,000 (2004: HK$38,298,000); and

(iv) corporate guarantee executed by the Company to the extent of HK$526,196,000 (2004: Nil).

The Group's bank loans as at 31 December 2004 were covered by joint and several guarantees executed by Messrs. Cheng Li-Yu, Cheng Li-Yen and Horng Tsai-Chin, directors of the Company, to the extent of HK$416,378,000, and by a personal guarantee executed by Mr. Cheng Li-Yu to the extent of HK$123,437,000.

24. INTEREST-BEARING BANK BORROWINGS *(continued)*

(b) The Group's bank loans with carrying amounts of HK$829,596,000 (2004: HK$897,859,000), HK$37,156,000 (2004: HK$45,226,000) and HK$2,610,000 (2004: HK$2,822,000) are denominated in United States dollars ("USD"), RMB and NTD, respectively.

Other interest rate information:

	Group			
	2005		2004	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
	HK$'000	**HK$'000**	HK$'000	HK$'000
Bank loans - secured	**79,704**	**716,052**	37,688	719,681
Bank loans - unsecured	**–**	**73,606**	–	188,538

25. DERIVATIVE FINANCIAL INSTRUMENTS

	2005	2004
	HK$'000	HK$'000
Forward currency contracts	**3,565**	4,107

The carrying amount of forward currency contracts is the same as their fair value.

The Group has entered into various forward currency contracts to reduce its exposure to foreign currency exchange rates fluctuations, which did not meet the criteria for hedge accounting. Changes in fair value of non-hedging currency derivatives, amounting to HK$542,000 was debited to the income statement during the year (2004: credit of HK$4,107,000). The terms of these contracts are as follows:

At 31 December 2005	**Maturity**	**Exchange rate**
Buy RMB318,380,000 (Sell USD)	19 January 2006 to 22 May 2006	7.8935 to 8.0255
Sell RMB322,092,000 (Buy USD)	20 January 2006 to 22 May 2006	8.0068 to 8.0987
At 31 December 2004		
Buy RMB645,831,800 (Sell USD)	23 February 2005 to 24 November 2005	7.9885 to 8.1798
Sell RMB197,294,400 (Buy USD)	21 January 2005 to 22 April 2005	8.2074 to 8.2328

26. SHARE CAPITAL

Shares

	2005 HK$'000	2004 HK$'000
Authorised:		
2,000,000,000 shares of HK$0.1 each	**200,000**	–
52,600,000 ordinary shares of US$1 each (Note)	–	410,280
Issued and fully paid:		
1,000,000,000 shares of HK$0.1 each	**100,000**	–
52,600,000 ordinary shares of US$1 each (Note)	**–**	410,280

Note: The balance of the authorised and issued share capital as at 31 December 2004 represents the authorised and issued share capital of Best Alliance, the then holding company of the companies comprising the Group.

The following changes in the Company's authorised and issued share capital took place during the period from 12 July 2004 (date of incorporation) to 31 December 2005.

	Notes	Number of shares of HK$0.1 each	Nominal value of shares HK$'000
Authorised:			
Upon incorporation	(a)	52,600,000	5,260
Increase in authorised share capital	(b)	1,947,400,000	194,740
As at 31 December 2005		**2,000,000,000**	**200,000**
Issued and fully paid:			
Allotted and issued fully paid on 15 July 2004	(c)	1	–
Allotted and issued fully paid as consideration for acquisition of Best Alliance	(d)	52,599,999	5,260
New issue of shares	(e)	260,000,000	26,000
Capitalisation issue of shares ("Capitalisation Issue")	(f)	687,400,000	68,740
As at 31 December 2005		**1,000,000,000**	**100,000**

26. SHARE CAPITAL *(continued)*

Notes:

(a) On 12 July 2004, the Company was incorporated with an authorised share capital of HK$5,260,000 divided into 52,600,000 shares of HK$0.1 each.

(b) Pursuant to a resolution passed on 6 October 2005, the authorised share capital of the Company was increased from HK$5,260,000 to HK$200,000,000 by the creation of 1,947,400,000 shares of HK$0.1 each, ranking pari passu in all respects with the existing share capital of the Company.

(c) On 15 July 2004, one share was allotted and issued fully paid at par.

(d) Under the Group Reorganisation, 52,599,999 shares of HK$0.1 each were allotted and issued fully paid by the Company as the consideration for the acquisition of the entire issued share capital of Best Alliance to the then shareholders of Best Alliance.

(e) On 3 November 2005, 260,000,000 shares of HK$0.1 each were issued at a price of HK$1.4 per share upon the listing of the Company's shares on the Stock Exchange. The Group raised approximately HK$321,867,000 net of related expenses from the share offer.

(f) Pursuant to the resolutions in writing passed by the then shareholders of the Company on 17 June 2005 and 6 October 2005, an amount of HK$68,740,000 standing to the credit of the share premium account of the Company was applied in paying up in full at par of 687,400,000 shares of HK$0.1 each for allotment and issue to the shareholders whose names appeared on the register of members of the Company at the close of business on 6 October 2005 in proportion to their then shareholdings in the Company.

Share options

Details of the Company's Pre-IPO share option scheme, share option scheme and the share options issued are included in note 27 to the financial statements.

27. 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 per share of HK$1.26. 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 year was estimated at approximately HK$1,422,000.

The fair value of the Pre-IPO share options granted during the year was estimated as at the date of grant, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 December 2005.

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 expected life of the options is based on the directors' estimation and not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

27. 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 shall vest within 10 business days after the first business day immediately following the expiry of the six-month period after the listing date of the Company and pursuant to the rules of the share award plan and the relevant conditions of the awards. The shares awarded by the Company under the share award plan are considered to be shared-based payments under HKFRS 2.

The fair value of the shares awarded during the year was estimated at approximately HK$5,325,000.

The fair value of shares awarded during the year was estimated as at the date of grant, using the Guideline Publicly Traded Company (the "GPTC") method, taking into account the terms and conditions upon which the shares were awarded. In applying the GPTC method, different value measures or market multiples of comparable companies are calculated and analysed to induce a series of multiples that are considered representative of the industry average. The value measures or market multiples applied include (1) price-to-revenue; (2) price-to-earning before interest, taxes, depreciation and amortisation; (3) price-to-earning before interest and taxes; (4) price-to-net income; and (5) price-to-common equity multiples. The fair market value derived is then adjusted for a discount for the lack of marketability of the Company's shares before the initial public offering.

(c) Share option scheme

The Company operates a 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. 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.

The offer of a grant of share options may be accepted within 21 days from the date of 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 ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

27. EQUITY COMPENSATION PLANS *(continued)*

(c) Share option scheme *(continued)*

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 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.

No share options have been granted under the Scheme since its adoption.

28. 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 24 of the financial statements.

The Group's contributed surplus represents the difference between the nominal value of the shares and the share premium account of the former Group holding company acquired pursuant to the Group Reorganisation set out in note 2 to the financial statements, over the nominal value of the Company's shares issued in exchange therefor.

(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
Arising from the Group Reorganisation		–	772,098	–	–	772,098
New issue of shares	26	338,000	–	–	–	338,000
Capitalisation issue of shares	26	(68,740)	–	–	–	(68,740)
Share issue expenses	26	(42,133)	–	–	–	(42,133)
Loss for the year	11	–	–	–	(5,815)	(5,815)
Share-based compensation arrangements	27	–	–	3,856	–	3,856
At 31 December 2005		**227,127**	**772,098**	**3,856**	**(5,815)**	**997,266**

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, 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.

29. BUSINESS COMBINATION

In the prior year, on 30 June 2004, the Group acquired a 100% interest in Hempton. Hempton is the holding company of Ju Teng Electronics, which is principally engaged in dust-free spray painting of notebook computer casings in the PRC. The purchases consideration for the acquisition was in the form of shares, with 2,822,581 shares issued by Best Alliance on 30 June 2004. The fair value of the shares issued by Best Alliance is estimated by the management of the Group to be approximately HK$37,262,000 with reference to the fair value of the identifiable assets and liabilities acquired.

The fair values of the identifiable assets and liabilities of Hempton and Ju Teng Electronics as at the date of acquisition and the corresponding carrying amounts before the acquisition were as follows:

	Fair value recognised on acquisition	**Carrying amount**
	HK$'000	HK$'000
Property, plant and equipment (Note 14)	**57,855**	57,855
Lease premium for land (Note 15)	**2,234**	2,234
Inventories	**4,192**	4,192
Trade receivables	**19,824**	19,824
Prepayments, deposits and other receivables	**3,333**	3,333
Cash and bank balances	**4,297**	4,297
Trade and bills payables	**(7,797)**	(7,797)
Other payables and accruals	**(39,138)**	(39,138)
Interest-bearing bank borrowings	**(7,538)**	(7,538)
	37,262	37,262
Satisfied by issue of shares by Best Alliance	**37,262**	

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

	HK$'000
Cash and bank balances acquired and net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	4,297

From the date of acquisition, Hempton and Ju Teng Electronics have contributed revenue of approximately HK$27,738,000 and net loss of approximately HK$13,585,000 to the Group up to 31 December 2004. If the acquisition had taken place at 1 January 2004, the revenue and profit of the Group for the year ended 31 December 2004 would have been approximately HK$1,583,691,000 and HK$245,892,000, respectively.

30. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

During the prior year, 2,822,581 ordinary shares of Best Alliance of US$1 each were issued as consideration for the acquisition of 100% equity interests in Hempton and its subsidiary, Ju Teng Electronics. The fair value of 2,822,581 ordinary shares was determined by reference to the fair value of Hempton and its subsidiary, Ju Teng Electronics, amounting to HK$37,262,000 as at the date of acquisition. Advances from shareholders of HK$28,005,000 were also capitalised in the issued capital and share premium account as additional capital contributed by shareholders.

31. 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 guarantee of approximately HK$1,033,958,000 (2004: Nil) to banks in connection with banking facilities granted to its subsidiaries, which were utilised to the extent of approximately HK$634,987,000 (2004: Nil).

32. 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:

	2005	2004
	HK$'000	HK$'000
Within one year	**6,743**	5,697
In the second to fifth years, inclusive	**12,340**	14,602
	19,083	20,299

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following commitments as at the balance sheet date:

	2005	2004
	HK$'000	HK$'000
Contracted, but not provided for:		
Land and buildings	**3,806**	79,002
Machinery	**5,766**	59,311
Total capital commitments	**9,572**	138,313

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

34. 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	**2005** **HK$'000**	2004 HK$'000
Purchase of production materials from:			
San Li (1)	(i)	**22,418**	15,835
Ta Yu Metallic (2)	(i)	**1,800**	7,388
Sunrise (3)	(i)	**1,740**	6,865
San Changs (4)	(i)	**165**	140
Purchase of moulds from Ta Yu Metallic	(i)	**–**	445
Sale of finished goods to:			
San Li	(ii)	**854**	1,114
Ta Yu Metallic	(ii)	**–**	13
Sunrise	(ii)	**4,423**	1,842
San Changs	(ii)	**534**	–
Sale of production materials to Hempton (9)	(ii)	**–**	2,153
Technical assistance fees paid to:			
Southern Asia (1)	(iii)	**7,122**	5,469
Extrawell (5)	(iii)	**2,928**	2,839
Ever Grand (6)	(iii)	**4,895**	4,297
Interests paid to:			
Southern Asia	(iv)	**–**	109
Linwood Investments Limited ("Linwood") (7)	(iv)	**–**	150
San Li	(iv)	**–**	236
Rental expenses paid to:			
San Li Enterprises Company Limited (1)	(v)	**39**	53
Ms. Lin Mei-Li (8)	(v)	**67**	81
Mr. Cheng Li-Yu (10)	(v)	**32**	9

34. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

(1) San Li, San Li Enterprises Company Limited and Southern Asia are controlled by Mr. Cheng Li-Yu, a director of the Company.

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

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

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

(5) Mr. Horng Tsai-Chin, a director of the Company, is a shareholder of Extrawell.

(6) Ever Grand is controlled by Messrs. Cheng Li-Yu and Cheng Li-Yen, directors of the Company.

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

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

(9) Hempton was previously held by Linwood and an independent third party. Upon the completion of acquisition on 30 June 2004, Hempton became an indirect wholly-owned subsidiary of the Company.

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

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

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

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

(iv) The loans or advances from Southern Asia, Linwood and San Li bore interest at the rate of 7% per annum.

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

The above transactions entered into by the Group during the year ended 31 December 2005 (other than the technical assistance fees paid to Southern Asia, Extrawell and Ever Grand) also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The technical assistance fees paid were in relation to the provision of technical assistance services prior to the listing of the Company's shares on the Stock Exchange.

(b) Other transactions with related parties

(i) Certain of the Company's directors has guaranteed certain bank loans made to the Group, as further detailed in note 24 to the financial statements.

(ii) During the prior year, Best Alliance acquired 100% equity interest in Hempton for a consideration of the issue of 2,116,936 and 705,645 ordinary shares of Best Alliance to Linwood and Elite Services Business Limited, an independent third party, respectively. Hempton is the holding company of Ju Teng Electronics, which is principally engaged in dust-free spray painting of notebook computer casings in the PRC.

34. RELATED PARTY TRANSACTIONS *(continued)*

(c) 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 19, 20, 22 and 23 to the financial statements.

(d) Compensation of key management personnel of the Group:

	2005	2004
	HK$'000	HK$'000
Short term employee benefits	**4,938**	4,121
Employee share-based compensation expenses	**980**	–
Total compensation paid to key management personnel	**5,918**	4,121

Further details of directors' emoluments are included in note 8 to the financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

At the balance sheet date, the Group's principal financial instruments comprise cash and cash equivalents, trade receivables, derivative financial instruments, trade and bills payables, other receivables and payables and bank borrowings.

The Group does not have written risk management policies and guidelines. However, the management meets periodically to analyse and formulate measures to manage the Group's exposure to financial risks, including principally credit risk and changes in currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management.

(i) Interest rate risk

The interest rates and the terms of repayment of the Group's bank and other loans are disclosed in note 24 above. The Group has no significant exposure to interest rate risk.

(ii) Foreign currency risk

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 currencies 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.

(iii) 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 72% of the Group's trade receivables at the balance sheet date.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(iii) Credit risk *(continued)*

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 other party, with a maximum exposure being equal to the carrying amount of these instruments. There is no significant concentration of credit risk within the Group in relation to the other financial assets.

(iv) Fair values

Other than the derivative financial instruments which have been measured at fair value, the financial assets and liabilities which are not carried at fair value in the consolidated balance sheet are presented below:

(a) Bank balances, trade receivables, trade and bills payables, other receivables and payables

The carrying amounts of these balances approximate to their fair values because of the immediate or short term maturity of these financial instruments.

(b) Bank borrowings

The carrying amounts of bank loans approximate to their fair values, based on the borrowing rates currently available for bank loans with similar terms and average maturity.

(v) Liquidity risk

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.

36. POST BALANCE SHEET EVENTS

(a) On 23 January 2006, the Group entered into an agreement for the acquisition of 70% interest in Mindforce Holdings Limited at a consideration of US$4.9 million (approximately HK$38.2 million). Mindforce Holdings Limited, a company incorporated in the BVI, 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.

(b) On 13 February 2006, the Group entered into an agreement for the acquisition of 36.5% interest in Smart Success Enterprises Limited at a consideration of US$2.2 million (approximately HK$17.1 million). 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.

(c) On 20 March 2006, the Group entered into an agreement for the acquisition of approximately 5.26% interest in 柏騰科技股份有限公司 at a consideration of NT$67 million (approximately HK$18 million). 柏騰科技股份有限公司 is a company incorporated in the ROC and is principally engaged in the provision of coating services.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 April 2006.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four 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			
	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**2,671,798**	1,561,093	887,332	234,632
PROFIT BEFORE TAX	**209,087**	262,767	187,301	48,379
Tax	**(16,992)**	(21,394)	(22,550)	(11,444)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**192,095**	241,373	164,751	36,935

ASSETS AND LIABILITIES

	As at 31 December			
	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**3,604,165**	2,339,289	1,123,610	328,682
TOTAL LIABILITIES	**(2,364,691)**	(1,636,658)	(814,653)	(207,762)
	1,239,474	702,631	308,957	120,920