



巨騰國際控股有限公司

JU TENG INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3336

2006

Interim Report

## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Cheng Li-Yu  
Mr. Cheng Li-Yen  
Mr. Hsieh Wan-Fu  
(appointed on 25 May 2006)  
Mr. Huang Kuo-Kuang  
Mr. Lo Jung-Te  
(appointed on 25 May 2006)  
Mr. Tsui Yung Kwok

### NON-EXECUTIVE DIRECTOR

Mr. Horng Tsai-Chin  
(resigned on 18 September 2006)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

### 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. Yip Wai Ming

### COMPLIANCE ADVISER

SinoPac Securities (Asia) Limited

### LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners

### AUDITORS

Ernst & Young

### PRINCIPAL BANKERS

The Agricultural Bank of China  
Bank of China  
Bank SinoPac  
CITIC Industrial 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

The board (the "Board") of directors (the "Directors") of Ju Teng International Holdings Limited (the "Company" or "Ju Teng") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2006 (the "Period") as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 June 2006*

		For the six months ended 30 June	
	Notes	2006 (Unaudited) HK\$'000	2005 (Audited) HK\$'000
<b>REVENUE</b>	2	<b>1,470,549</b>	1,096,710
Cost of sales		<b>(1,261,432)</b>	(898,375)
Gross profit		<b>209,117</b>	198,335
Other income and gains	3	<b>30,931</b>	19,508
Selling and distribution costs		<b>(9,745)</b>	(12,203)
Administrative expenses		<b>(97,967)</b>	(91,372)
Other expenses, net		<b>(2,012)</b>	(852)
Finance costs	4	<b>(43,446)</b>	(22,267)
Share of profit of an associate		<b>644</b>	—
<b>PROFIT BEFORE TAX</b>	5	<b>87,522</b>	91,149
Tax	6	<b>(17,178)</b>	(13,107)
<b>PROFIT FOR THE PERIOD</b>		<b>70,344</b>	78,042
Attributable to:			
Equity holders of the Company		<b>70,468</b>	78,042
Minority interests		<b>(124)</b>	—
		<b>70,344</b>	78,042
<b>INTERIM DIVIDEND</b>	7	<b>—</b>	—
<b>EARNINGS PER SHARE</b>	8		
— Basic		<b>HK7.0 cents</b>	HK10.5 cents
— Diluted		<b>HK7.0 cents</b>	HK10.5 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006

	Notes	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	1,319,060	1,159,704
Lease premium for land		22,785	15,956
Goodwill		1,065	–
Investment in an associate		19,351	–
Deferred tax assets		4,500	3,913
Available-for-sale investment		23,537	–
Prepayment for acquisition of property, plant and equipment		32,666	–
Prepayment for acquisition of investments		–	33,462
Total non-current assets		1,422,964	1,213,035
<b>CURRENT ASSETS</b>			
Inventories		866,483	764,963
Trade receivables	10	771,513	797,530
Factored trade receivables	10	386,961	502,067
Prepayments, deposits and other receivables		51,225	65,313
Derivative financial instruments		5,123	3,565
Pledged bank balances and time deposits		30,053	30,993
Cash and cash equivalents		260,505	226,699
Total current assets		2,371,863	2,391,130
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	679,124	629,985
Other payables and accruals		230,244	289,137
Tax payable		77,048	63,730
Bank advances on factored trade receivables	10	386,961	512,477
Interest-bearing bank borrowings		1,071,266	343,102
Total current liabilities		2,444,643	1,838,431
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>(72,780)</b>	<b>552,699</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,350,184</b>	<b>1,765,734</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		2,212	526,260
		2,212	526,260
Net assets		1,347,972	1,239,474
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital	12	100,000	100,000
Reserves		1,224,843	1,139,474
		1,324,843	1,239,474
<b>Minority interests</b>		<b>23,129</b>	<b>–</b>
Total equity		1,347,972	1,239,474

## CONDENSED CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Attributable to equity holders of the Company									Total equity HK\$'000
	Issued share capital HK\$'000 (Note)	Share premium account HK\$'000	Contributed surplus HK\$'000	Employee share-based compensation reserve HK\$'000	Statutory reserve fund HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	
At 1 January 2005 (Audited)	410,280	15,246	-	-	23,794	(14,534)	267,845	702,631	-	702,631
Exchange realignment and net gain recognised directly in equity (Audited)	-	-	-	-	-	223	-	223	-	223
Profit for the period (Audited)	-	-	-	-	-	-	78,042	78,042	-	78,042
Total income and expense for the year	-	-	-	-	-	223	78,042	78,265	-	78,265
Reorganisation adjustment (Audited)	(405,020)	(15,246)	420,266	-	-	-	-	-	-	-
At 30 June 2005 (Audited)	5,260	-	420,266	-	23,794	(14,311)	345,887	780,896	-	780,896
At 1 January 2006	100,000	227,127	420,266	3,856	23,794	4,491	459,940	1,239,474	-	1,239,474
Exchange realignment and net gain recognised directly in equity (Unaudited)	-	-	-	-	-	12,357	-	12,357	29	12,386
Profit for the period (Unaudited)	-	-	-	-	-	-	70,468	70,468	(124)	70,344
Total income and expense for the period (Unaudited)	-	-	-	-	-	12,357	70,468	82,825	(95)	82,730
Share-based compensation arrangements (Unaudited)	-	-	-	2,544	-	-	-	2,544	-	2,544
Acquisition of a subsidiary (Unaudited)	-	-	-	-	-	-	-	-	16,204	16,204
Capital injection from minority shareholder	-	-	-	-	-	-	-	-	7,020	7,020
Transfer from retained profits (Unaudited)	-	-	-	-	260	-	(260)	-	-	-
At 30 June 2006 (Unaudited)	100,000	227,127	420,266	6,400	24,054	16,848	530,148	1,324,843	23,129	1,347,972

*Note:* The balance of the issued share capital as at 1 January 2005 represents the issued share capital of Best Alliance Holding Inc., the then holding company of the then companies comprising the Group.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	For the six months ended 30 June	
	2006	2005
	(Unaudited) HK\$'000	(Audited) HK\$'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>30,049</b>	83,313
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(207,616)</b>	(283,866)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<b>211,136</b>	247,687
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>33,569</b>	47,134
Cash and cash equivalents at beginning of period	<b>226,699</b>	145,322
Effect of foreign exchange rate changes, net	<b>237</b>	1
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>260,505</b>	192,457
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>260,505</b>	192,457

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the Period are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements.

The comparative amounts in respect of the six months ended 30 June 2005 are extracted from the accountants' report on the Group included in the Company's prospectus dated 25 October 2005 ("Prospectus").

### 2. 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 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 customers.

The following table presents the revenue of the Group's geographical segments.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 2. SEGMENT INFORMATION (continued)

#### (b) Geographical segments (continued)

Segment revenue from external customers:

	For the six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Audited) HK\$'000
The PRC	1,286,360	1,004,246
The Republic of China	181,066	81,816
Others	3,123	10,648
	<u>1,470,549</u>	<u>1,096,710</u>

### 3. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Audited) HK\$'000
Subcontracting fee income	722	1,473
Interest income	1,888	592
Sale of scrap materials	8,592	4,158
Sale of used moulds	—	1,305
Exchange gains, net	11,490	11,422
Excess over the cost of acquisition of interest in an associate	1,625	—
Others	6,614	558
	<u>30,931</u>	<u>19,508</u>

### 4. FINANCE COSTS

	For the six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Audited) HK\$'000
Interest on bank loans and other loans wholly repayable:		
Within five years	43,428	22,245
Over five years	18	22
	<u>43,446</u>	<u>22,267</u>



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	<b>For the six months ended 30 June</b>	
	<b>2006</b>	2005
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold	<b>1,247,545</b>	869,960
Depreciation	<b>57,454</b>	42,572
Amortisation of lease premium for land	<b>170</b>	172
Losses on write-off/disposal of items of property, plant and equipment, net	<b>302</b>	34

### 6. TAX

	<b>For the six months ended 30 June</b>	
	<b>2006</b>	2005
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Current – provision for the period		
– Mainland China	<b>6,149</b>	2,822
– Overseas	<b>11,708</b>	11,508
Deferred tax	<b>(679)</b>	(1,223)
Tax charge for the period	<b>17,178</b>	13,107

Hong Kong profits tax has not been provided as the Group did not have any assessable profits arising in Hong Kong during the Period. 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.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 7. INTERIM DIVIDEND

The Directors did not propose to declare an interim dividend for the Period (six months ended 30 June 2005: Nil).

### 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the Period attributable to equity holders of the Company of HK\$70,468,000 (six months ended 30 June 2005: HK\$78,042,000) and 1,000,000,000 (six months ended 30 June 2005: 740,000,000) ordinary shares in issue during the Period on the assumption that the group reorganisation 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 effected on 17 June 2005 and the capitalisation issue of shares effected on 2 November 2005 had been completed on 1 January 2005.

The calculation of diluted earnings per share is based on the profit for the Period attributable to equity holders of the Company of HK\$70,468,000 (six months ended 30 June 2005: HK\$78,042,000). The weighted average number of ordinary shares used in the calculation is 1,000,000,000 (six months ended 30 June 2005: 740,000,000) ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average of 1,016,793 (six months ended 30 June 2005: 21,857) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential shares into shares.

### 9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment of HK\$206,430,000 (six months ended 30 June 2005: HK\$259,329,000) and disposed of property, plant and equipment of HK\$1,702,000 (six months ended 30 June 2005: HK\$2,529,000).

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 10. TRADE RECEIVABLES

The Group allows an average credit period ranging from 90 days to 120 days to its customers. An aged analysis of the trade receivables and factored trade receivables as at the balance sheet date, based on invoice date, is as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
<b>Trade receivables</b>		
Within 3 months	565,092	558,198
4 – 6 months	186,167	229,889
7 – 12 months	13,615	5,781
Over 1 year	6,639	3,662
	<b>771,513</b>	<b>797,530</b>
<b>Factored trade receivables</b>		
Within 3 months	242,093	312,337
4 – 6 months	144,868	188,618
7 – 12 months	–	1,112
	<b>386,961</b>	<b>502,067</b>

As at 30 June 2006, certain subsidiaries of the Group had factored trade receivables of HK\$386,961,000 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.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 11. TRADE AND BILLS PAYABLES

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

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Within 3 months	516,229	511,356
4 – 6 months	135,863	91,062
7 – 12 months	12,757	19,424
Over 1 year	14,275	8,143
	<u>679,124</u>	<u>629,985</u>

### 12. SHARE CAPITAL

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Authorised 2,000,000,000 shares of HK\$0.1 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid 1,000,000,000 shares of HK\$0.1 each	<u>100,000</u>	<u>100,000</u>

#### Share options

Details of the Company's Pre-IPO share option scheme, share option scheme and the share options issued are included in note 13 to the interim financial statements.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 13. EQUITY COMPENSATION PLANS

#### (a) Pre-IPO share option scheme

On 17 June 2005, the Company adopted a Pre-IPO share option scheme (the "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. No Pre-IPO share option was exercised during the Period.

#### (b) Share award plan

On 17 June 2005, the Company adopted a share award plan (the "Share Award Plan"). A total of 952,881 shares in the Company were transferred to the trustee of the Share Award Plan by a shareholder of the Company 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 to Mr. Huang Kuo-Kuang, a director of the Company, and certain employees of the Group under the Share Award Plan, which had vested during the Period.

#### (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 provides research, development or other technological support to the Group, the Group's shareholders and the advisers or consultants of the Group. The Scheme will remain in force for a period of 10 years from 6 October 2005, being the date of its adoption, to 5 October 2015.

The maximum number of shares which may be issued upon the exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 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.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 13. EQUITY COMPENSATION PLANS (continued)

#### (c) Share option scheme (continued)

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 grant of share options 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 the 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.

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 the 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.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 14. BUSINESS COMBINATION

On 23 January 2006, the Group acquired a 70% interest in Mindforce Holdings Limited ("Mindforce"). Mindforce, a company incorporated in the British Virgin Islands, has a wholly-owned PRC subsidiary, WIS Precision (Kunshan) Co., Ltd., which is principally engaged in the manufacture and sale of notebook computer casings and related products in the PRC. The consideration for the acquisition was in the form of cash of HK\$38,875,000 which was paid at the acquisition date.

The fair values of the identifiable assets and liabilities of Mindforce and its subsidiary as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	<b>Fair value recognised on acquisition</b> <i>HK\$'000</i>	<b>Carrying amount</b> <i>HK\$'000</i>
Property, plant and equipment	33,266	33,266
Lease premium for land	6,875	6,875
Cash and cash equivalents	9,205	9,205
Prepayments, deposits and other receivables	7,264	7,264
Other payables and accruals	(2,596)	(2,596)
	<u>54,014</u>	<u>54,014</u>
Minority interests	(16,204)	
Goodwill on acquisition	<u>1,065</u>	
Satisfied by cash	<u>38,875</u>	

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

	<i>HK\$'000</i>
Cash consideration	(38,875)
Cash and cash equivalents acquired	<u>9,205</u>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u>(29,670)</u>

Since its acquisition, Mindforce had no contribution to the Group's turnover and contributed a net loss of HK\$413,300 to the consolidated profit for the Period.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 15. OPERATING LEASE COMMITMENTS

The Group leases its office and warehouse properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years, with an option to renew the lease when the terms expire.

As at the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Within one year	7,214	6,743
In the second to fifth years, inclusive	12,775	12,340
	<b>19,989</b>	<b>19,083</b>

### 16. COMMITMENTS

In addition to the operating lease commitments detailed in note 15 above, the Group had the following contracted capital commitments as at the balance sheet date:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Contracted, but not provided for:		
Land and buildings	18,166	3,806
Machinery	72,946	5,766
	<b>91,112</b>	<b>9,572</b>

### 17. CONTINGENT LIABILITIES

As at 30 June 2006, the Group did not have any significant contingent liabilities.



## NOTES TO INTERIM FINANCIAL STATEMENTS

### 18. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material related party transactions during the Period:

		For the six months ended 30 June	
		2006	2005
		(Unaudited)	(Audited)
		HK\$'000	HK\$'000
	Notes		
Purchase of production materials from:			
San Li Company Limited ("San Li") (a)	(i)	15,869	7,651
Ta Yu Metallic Company Limited ("Ta Yu Metallic") (b)	(i)	–	433
Sunrise Plastic Injection Company Limited ("Sunrise") (c)	(i)	393	1,069
San Changs Co., Ltd. ("San Changs") (d)	(i)	190	109
Purchase of moulds from			
Ta Yu Metallic	(i)	607	–
Sale of finished goods to:			
San Li	(ii)	640	387
Sunrise	(ii)	721	2,461
San Changs	(ii)	37	454
Technical assistance fees paid to:			
Southern Asia Management Limited ("Southern Asia") (a)	(iii)	–	5,861
Extrawell Development Limited ("Extrawell") (e)	(iii)	–	2,395
Ever Grand Group Limited ("Ever Grand") (f)	(iii)	–	4,324
Rental expenses paid to:			
San Li Enterprises Company Limited (a)	(iv)	–	30
Ms. Lin Mei-Li (g)	(iv)	41	30

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 18. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

*Notes:*

- (a) San Li, San Li Enterprises Company Limited and Southern Asia are controlled by Mr. Cheng Li-Yu, a director of the Company.
- (b) Ta Yu Metallic is controlled by Mr. Horng Tsai-Chin, a director of the Company during the Period.
- (c) Sunrise is controlled by Mr. Cheng Li-Yen, a director of the Company.
- (d) San Changs is controlled by Messrs. Cheng Li-Yu, Huang Kuo-Kuang, Hsieh Wan-Fu, directors of the Company, and by Ms. Lin Mei-Li, the spouse of Mr. Cheng Li-Yu.
- (e) Mr. Horng Tsai-Chin, a director of the Company during the Period, is a shareholder of Extrawell.
- (f) Ever Grand is controlled by Messrs. Cheng Li-Yu and Cheng Li-Yen, both being directors of the Company.
- (g) Ms. Lin Mei-Li is the spouse of Mr. Cheng Li-Yu, 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 rentals were determined at rates mutually agreed between the relevant parties.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 18. RELATED PARTY TRANSACTIONS (continued)

- (b) Outstanding balances with related parties:

Details of the Group's balances with its related companies as at the balance sheet date are as follows:

	<b>30 June 2006 (Unaudited) HK\$'000</b>	<b>31 December 2005 (Audited) HK\$'000</b>
Trade receivables:		
San Li	525	525
Ta Yu Metallic	–	3
Sunrise	783	2,017
San Changs	135	110
	<b>1,443</b>	<b>2,655</b>
Trade and bills payables:		
San Li	15,089	11,469
Ta Yu Metallic	–	277
Sunrise	232	877
San Changs	100	58
Southern Asia	–	1,261
Extrawell	–	533
Ever Grand	–	571
	<b>15,421</b>	<b>15,046</b>

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 18. RELATED PARTY TRANSACTIONS (continued)

- (c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Audited) HK\$'000
Short term employee benefits	2,226	2,160
Employee share-based compensation expenses	603	75
Total compensation paid to key management personnel	2,829	2,235

### 19. PLEDGE OF ASSETS

As at 30 June 2006, the Group's pledged bank balances and time deposits of approximately HK\$30,053,000 (31 December 2005: HK\$30,993,000) and leasehold land and buildings and machineries with an aggregate carrying amount of approximately HK\$799,148,000 (31 December 2005: HK\$751,397,000) and trade receivables of approximately HK\$383,727,000 (31 December 2005: HK\$439,110,000) were pledged to secure banking facilities granted to the Group.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **PROSPECTS**

The management remains optimistic about the Group's performance. Even though the Group recorded a strong growth in the turnover for the first half of the year, the demand for notebook computers was lower than expected which was attributable to the sluggish demand in Europe and the inventory correction. The management expects the demand for notebook computers in the second half of the year will remain strong and is following the normal seasonality after the price cut on the central processing unit ("CPU") and migration to the new dual core platform. The Group would continue to make use of its advanced casing technologies, including thin-wall moulding and advanced surface painting to improve the profit margin as the management believes that the appealing product design plays a very important role in stimulating the customers' demand.

### **FINANCIAL REVIEW**

The Group recorded a substantial growth of 34% in turnover for the six months ended 30 June 2006 (the "Period") and reached approximately HK\$1,471 million. Although the Group continued to benefit from the strong global demand for notebook computers, its gross profit margin for the first half of the year declined to 14% from 18% in 2005 which resulted from the price competition, appreciation of Renminbi ("RMB") and development costs for new casing models.

The Group's operating costs and other operating expenses, including administrative expenses, selling and distribution costs and other expenses for the Period remained stable at approximately HK\$110 million, representing a slight increase of 5% as compared with that of 2005. Operating costs for the Period and the six months ended 30 June 2005 accounted for 7.5% and 9.5% of the Group's turnover respectively.

Finance costs increased significantly by 95% to approximately HK\$43 million for the Period as compared with that of 2005. This was mainly due to the increase in bank borrowings and the increase in both the United States dollars ("USD") and RMB borrowing rate during the Period.

The Group's net profit for the Period declined to approximately HK\$70 million from approximately HK\$78 million in 2005. The decrease in profitability was attributable to the decrease in gross profit margin and the higher interest costs.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2006, the Group had total bank borrowings of approximately HK\$1,073 million, representing an increase of 23% as compared to that of 31 December 2005. The increase in bank borrowings was to finance the acquisition of machinery and equipment. The Group's bank loans with carrying amounts of approximately HK\$1,049 million (31 December 2005: HK\$829 million), approximately HK\$21 million (31 December 2005: HK\$37 million), and approximately HK\$3 million (31 December 2005: HK\$3 million) were denominated in USD, RMB and New Taiwan dollars respectively.

During the Period, the Group continued to enter into trade receivables factoring facilities on a without recourse basis to improve the Group's cash flow. As a result of the increase in finance costs and increase in inventories to meet the expected sales growth in the second half of the year, the Group's net cash inflow from operating activities decreased to HK\$30 million from approximately HK\$83 million in 2005. As at 30 June 2006, the Group had cash and bank balances of approximately HK\$260 million.

The gearing ratio of the Group, calculated as total bank borrowings of approximately HK\$1,073 million (31 December 2005: HK\$869 million) over total assets of approximately HK\$3,795 million (31 December 2005: HK\$3,604 million), as at 30 June 2006 was 28%, representing an increase of 4% as at 31 December 2005. The increase in gearing ratio was attributable to the increase in bank borrowings to finance the Group's expansion plan.

As the maturity date of the majority of the Group's bank borrowings will fall due within one year, the Group had net current liabilities of HK\$73 million as at 30 June 2006. The Group is currently negotiating with the banks to extend the banking facilities and obtain long term bank borrowing to refinance the existing short term bank borrowing facilities by the end of this year.

## 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 continued to enter into forward foreign exchange contracts to mitigate possible exchange losses relating to fluctuations in the values of the USD and RMB.

## **EMPLOYEES**

As at 30 June 2006, the Group had approximately 25,000 employees and staff costs amounted to approximately HK\$228 million (six months ended 30 June 2005: HK\$189 million). The Group's employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis. Discretionary bonuses may be rewarded to employees after assessment of the performance of the Group and the individual employee. The Group also 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.

## **USE OF PROCEEDS FROM THE NEW ISSUE**

The Company issued 260 million new shares of HK\$0.10 each at an offer price of HK\$1.4 per share by way of international placing and public offer in Hong Kong ("New Issue"). The net proceeds from the New Issue ("Net Proceeds") after deducting relevant expenses were approximately HK\$322 million. Since the Company's listing on 3 November 2005, the Group had utilised the Net Proceeds in accordance with the plan disclosed in the Prospectus, as to approximately HK\$118 million for acquisition of new machinery, approximately HK\$95 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 Net Proceeds was placed with licensed banks in Hong Kong as deposits and will continue to be applied in the future for their intended uses as set out in the Prospectus and as general working capital of the Group.

## MATERIAL ACQUISITIONS

During the Period, the Group acquired the following subsidiaries, associates and investment:

- (a) On 23 January 2006, the Group entered into an agreement for the acquisition of 70% interest in Mindforce at a consideration of US\$4.9 million (approximately HK\$38.9 million). Mindforce, a company incorporated in the British Virgin Islands, has a wholly-owned PRC subsidiary, WIS Precision (Kunshan) Co., Ltd., which is principally engaged in the manufacture and sale of notebook computer casings and related products in the PRC. The 30% interest in Mindforce is indirectly held by Wistron Corporation ("Wistron"), one of the major customers of the Group and is one of the leading notebook computer assemblers. After the acquisition, the Group has become a major notebook computer casings supplier to Wistron. The Group also entered into a master sales agreement with Wistron on 27 March 2006.
- (b) On 13 February 2006, the Group entered into an agreement for the acquisition of 36.5% interest in Smart Success Enterprises Limited ("Smart Success") at a consideration of approximately US\$2.2 million (approximately HK\$17.1 million). Smart Success, a company incorporated in Samoa, has a wholly-owned PRC subsidiary, Chengyang Precision Mold (Kunshan) Co., Ltd., which is principally engaged in the manufacture and sale of moulds in the PRC and is one of the Group's moulding suppliers. By acquisition of 36.5% interest in Smart Success, the Group is able to secure a stable supply of mouldings.
- (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 Republic of China and is principally engaged in the provision of coating services and is a subcontractor for coating services of the Group.



## OTHER INFORMATION

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

As at 30 June 2006, the interests and short positions of the Directors and chief executive of the Company in the share, 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 has 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 (the "Model Code") 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 ordinary shares (L)	39.59%
Mr. Cheng Li-Yu	Founder and beneficiary of a discretionary trust (Note 2)	395,947,439 ordinary shares (L)	39.59%
	Beneficial owner	2,800,000 ordinary shares (L)	0.28%
Mr. Lo Jung-Te	Interest of a controlled corporation (Note 3)	10,905,448 ordinary shares (L)	1.09%

*Notes:*

- The letter "L" denotes a long position in the shares.
- The shares were registered in the name of 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.
- These shares were registered in the name of Pan Yu Ventures Limited ("Pan Yu"), which was wholly and beneficially owned by Mr. Lo Jung-Te.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

#### (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-Kunag	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 of the Company and such share options remained outstanding as at 30 June 2006.
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 adopted by the Company, which had been vested in him during the Period.

Save as disclosed above, as at 30 June 2006, none of the Directors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or 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.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2006, the interest or short position of the person (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to 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%

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES (continued)

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 30 June 2006, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

## **OTHER INFORMATION**

### **INTERIM DIVIDENDS**

The Board does not recommend the payment of interim dividend for the Period.

### **CORPORATE GOVERNANCE PRACTICES**

The Company continues to devote much efforts on formulating sufficient corporate governance practices which it believes is crucial to its healthy growth and business needs. During the Period, the Company had complied with the code provisions of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the code provisions in relation to code provision A.2.1 of the CG Code regarding the requirement for separate roles of the chairman and the chief executive officer and the performance thereof by different individuals. Details of the considered reasons for such deviation had been set out in the corporate governance report ("CG Report") contained in the Company's annual report for the year ended 31 December 2005. The Board will continue to review the current management structure from time to time and shall make necessary changes when appropriate and inform the shareholders accordingly.

In order to align with code provision A.4.2 (regarding rotation of directors and the re-election of directors appointed to fill casual vacancy) and E.2.1 (regarding the right to demand poll by directors at general meetings) of the CG Code, being the other deviations from the CG Code as mentioned in the CG Report, the Company amended the relevant provisions of its articles of association at its annual general meeting held on 25 May 2006.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they have fully complied with the standards set out in the Model Code throughout the Period.

### **REVIEW BY AUDIT COMMITTEE**

The Audit Committee, comprising three independent non-executive Directors, has reviewed and discussed with the management the accounting principles and practices adopted by the Group and the Company's unaudited consolidated interim financial results for the Period.

By order of the Board  
**Ju Teng International Holdings Limited**  
**Cheng Li-Yu**  
*Chairman*

Hong Kong, 18 September 2006