



JU TENG INTERNATIONAL
HOLDINGS LIMITED

巨騰國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)



INTERNATIONAL PLACING AND HONG KONG PUBLIC OFFER

Global Coordinator



SINOPAC SECURITIES (ASIA) LIMITED

Joint Bookrunners & Joint Lead Managers



SINOPAC SECURITIES (ASIA) LIMITED



KingswayGroup

KINGSWAY FINANCIAL SERVICES GROUP LIMITED

Sponsors



SINOPAC SECURITIES (ASIA) LIMITED



ACCESS
CAPITAL

IMPORTANT

If you are in any doubt about this prospectus, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.



巨騰國際控股有限公司

JU TENG INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTERNATIONAL PLACING AND HONG KONG PUBLIC OFFER ISSUE OF NEW SHARES

Number of Offer Shares	: 260,000,000 New Shares (subject to the Over-allotment Option)
Number of Hong Kong Public Offer Shares	: 26,000,000 New Shares (subject to re-allocation)
Number of International Placing Shares	: 234,000,000 New Shares (subject to re-allocation and the Over-allotment Option)
Offer Price	: Not more than HK\$1.57 per Offer Share (payable in full on application) and expected to be not less than HK\$1.24 per Offer Share
Nominal value	: HK\$0.10 per Share
Stock code	: 3336

Global Coordinator



SINOPAC SECURITIES (ASIA) LIMITED

Joint Bookrunners and Joint Lead Managers



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KingswayGroup

KINGSWAY FINANCIAL SERVICES GROUP LIMITED

Sponsors



SINOPAC SECURITIES (ASIA) LIMITED



Co-managers

**Access Capital Limited
CIMB-GK Securities (HK) Limited
KGI Capital Asia Limited
Tai Fook Securities Company Limited**

**BCOM Securities Company Limited
Guotai Junan Securities (Hong Kong) Limited
Sun Hung Kai International Limited**

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, together with the documents specified under the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VIII, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be not less than HK\$1.24 per Offer Share and not more than HK\$1.57 per Offer Share. The Offer Price is expected to be fixed by agreement between the Global Coordinator (on behalf of the Underwriters) and the Company at or before 6:00 p.m. (Hong Kong time) on 29th October, 2005, or such later date as may be agreed between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), but in any event not later than 1st November, 2005.

If the Global Coordinator (on behalf of the Underwriters) and the Company are unable to reach agreement on the final Offer Price by the Price Determination Time, the Share Offer will not proceed. In such event, the Company will issue an announcement.

If, based on the level of interests expressed by prospective professional and institutional investors during the book-building process, the Global Coordinator (on behalf of the Underwriters) thinks it appropriate and with the consent of the Company, the indicative Offer Price range may be reduced below that stated in this prospectus. In such a case, the Company will cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) an announcement regarding such a reduction as soon as practicable following the decision to make such reduction not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. If applications for the Hong Kong Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the Offer Price range is so reduced, such applications cannot be subsequently withdrawn.

The obligations of the Hong Kong Public Offer Underwriters under the Hong Kong Public Offer Underwriting Agreement to underwrite the Hong Kong Public Offer Shares, are subject to termination by the Joint Bookrunners (on behalf of the Hong Kong Public Offer Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Further details of such grounds are set out in the paragraphs headed "Grounds for termination" in the sub-section headed "Underwriting arrangements and expenses" in the section headed "Underwriting" in this prospectus.

25th October, 2005

EXPECTED TIMETABLE

2005
(Note 8)

Application lists in respect of the Hong Kong Public Offer open (Note 1)	11:45 a.m. on 28th October
Latest time to give electronic application instructions to HKSCC (Note 2)	12:00 noon on 28th October
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on 28th October
Application lists in respect of the Hong Kong Public Offer close (Note 2)	12:00 noon on 28th October
Expected Price Determination Time (Note 3)	6:00 p.m. on 29th October
Announcement of the final Offer Price, the level of the indication of interests in the International Placing, the results of applications and the basis of allocation of the Hong Kong Public Offer Shares and the number of Offer Shares, if any, re-allocated between the International Placing and the Hong Kong Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	2nd November
Despatch/collection of share certificates and refund cheques in respect of wholly or partially unsuccessful applications on or before (Notes 4 to 7)	2nd November
Dealings in the Shares on the Main Board expected to commence on	3rd November

Notes:

1. If a "**black**" rainstorm warning or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 28th October, 2005, the application lists of the Hong Kong Public Offer will not open and close on that day. For further information, please see the paragraph headed "Effect of bad weather on the opening of the application lists" in the section headed "How to apply for the Hong Kong Public Offer Shares" in this prospectus.
2. Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed "Applying by giving electronic application instructions to HKSCC" in the section headed "How to apply for the Hong Kong Public Offer Shares" in this prospectus.

EXPECTED TIMETABLE

3. If, for any reason, the Offer Price is not agreed between the Company and the Global Coordinator (on behalf of the Underwriters) at or prior to 6:00 p.m. on 29th October, 2005 (or such later date as may be agreed by the Joint Bookrunners (for themselves and on behalf of the Underwriters) but in any event not later than 1st November, 2005), the Share Offer will not proceed. In such event, the Company will issue an announcement to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese).
4. Applicants who apply for 1,000,000 Hong Kong Public Offer Shares or more on **WHITE** Application Forms and have indicated on the Application Forms that they wish to collect their share certificates and/or refund cheques (if any) personally, may collect them in person from the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong between 9:00 a.m. and 1:00 p.m. on 2nd November, 2005. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their respective corporations stamped with the corporation's chop. Both individuals and authorised representatives of corporate applicants must produce at the time of collection evidence of identity acceptable to Tricor Investor Services Limited.
5. Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more and have indicated on the Application Forms that they wish to collect their refund cheques personally, may collect their refund cheques, if any, in person but may not elect to collect their share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants as set out above.
6. Uncollected share certificates and/or refund cheques (if any) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms promptly after the expiry of the time for their collection as set out above. Further details are set out in the paragraph headed "Despatch and collection of share certificates and/or refund cheques and deposit of share certificates into CCASS" in the section headed "How to apply for the Hong Kong Public Offer Shares" in this prospectus.
7. Share certificates for the Offer Shares are expected to be issued on or before 2nd November, 2005 but will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination by the Joint Bookrunners (on behalf of the Hong Kong Public Offer Underwriters) under the Hong Kong Public Offer Underwriting Agreement as described in the section headed "Underwriting" in this prospectus has not been exercised.
8. In this prospectus, unless otherwise stated, all times refer to Hong Kong local times.

It should be noted that the Hong Kong Public Offer Underwriting Agreement contains, and the International Placing Underwriting Agreement is expected to contain, provisions granting the Joint Bookrunners, on behalf of the Underwriters, the right, which may be exercised at any time at or prior to 8:00 a.m. on 3rd November, 2005 to terminate the Underwriters' obligations under the Underwriting Agreements on the occurrence of certain events, as set out in the Underwriting Agreements. Further details of the grounds for termination under the Hong Kong Public Offer Underwriting Agreement are set out in the section headed "Underwriting" in this prospectus.

Details of the structure of the Share Offer, including its conditions and grounds for termination, are set out in the section headed "Structure of the Share Offer" in this prospectus.

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not made in this prospectus or the Application Forms must not be relied on by you as having been authorised by us, the Sponsors, the Joint Bookrunners and Joint Lead Managers, the Underwriters, the respective directors of any of them, or any other person involved in the Share Offer.

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SUMMARY OF THIS PROSPECTUS

This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole of this prospectus before deciding whether to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before deciding whether to invest in the Offer Shares.

OVERVIEW

Our Group has been principally engaged in the manufacture and sale of notebook computer casings since our establishment in 2000. We subsequently sought to diversify our product range to include the manufacture and sale of casings for LCD PCs, digital cameras and game consoles. The manufacture and sale of notebook computer casings contributed from about 96% to about 98% of our Group's turnover during the Track Record Period.

Our products are semi-finished consumer goods and are principally delivered to our customers' production plants in the PRC for further processing before marketing and sale to ultimate end users. Our customers include Arima, Asus, Compal, FIC, Wistron and Quanta, all of which are OEM and ODM electronic consumer product manufacturers of leading international brands. Approximately 64.49%, 68.72%, 87.86%, 83.87% and 91.57% of the Group's turnover were recognised as income derived from our PRC customers for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005 respectively. The remainder of our Group's turnover was recognised as income derived from our customers in Taiwan and other countries. However, while the classification of the segment income was based on the location of our customers rather than the destination of delivery of our products, approximately 88%, 89%, 94%, 92% and 95% of our products were delivered within the PRC for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005 respectively. Taking into account the above, the Directors consider the PRC to be the largest market for our products.

The Directors believe that our expertise and experience in the plastic injection moulding, dust-free spray painting, metal tooling and stamping and assembly of notebook computer casings enable us to offer our clients "one-stop" services by integrating lengthy and complex production processes vertically to lower production cost and to enhance efficiency and mass production capacity, and therefore provide us with a competitive edge in the manufacture of casings for notebook computers, LCD PCs, digital cameras and game consoles.

SUMMARY OF THIS PROSPECTUS

Our Group's manufacturing operations are carried out by Everyday Computer, Suzhou Dazhi and Ju Teng Electronics. Everyday Computer, Suzhou Dazhi and Ju Teng Electronics are wholly foreign-owned enterprises established in the PRC and indirectly wholly-owned by us. Everyday Computer focuses on "one-stop" manufacture of casings for notebook computers; Suzhou Dazhi engages principally in the "one-stop" manufacture of casings for notebook computers, LCD PCs, digital cameras and game consoles and Ju Teng Electronics had been focused on dust-free spray painting of casings for notebook computers and, since its establishment of a new production plant in April 2005, Ju Teng Electronics has also been engaged in plastic injection moulding and assembly.

The manufacture of our products involves a variety of materials which are mainly purchased from Taiwan and the PRC. The principal production materials used in our Group's production are metal sheet, resin and paint. For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, the costs of production materials accounted for approximately 66.11%, 68.01%, 64.24%, 65.61% and 64.77% of our Group's total costs of sales, respectively.

Our principal production facilities are located in Jiang Su and Shanghai, the PRC. The aggregate gross floor area of our production plants operated by Everyday Computer, Suzhou Dazhi and Ju Teng Electronics was approximately 460,816.47 sq.m.. Different production processes engaged and products manufactured by each of Everyday Computer, Suzhou Dazhi and Ju Teng Electronics are shown as follows:

Plant	Approximate gross floor area sq.m.	Location	Production process	Products
Everyday Computer	195,154.18	Wu Jiang City Jiang Su Province The PRC	Plastic injection moulding, metal tooling and stamping, dust-free spray painting and assembly	Notebook computer casing
Suzhou Dazhi	233,303.41	Wu Jiang City Jiang Su Province The PRC	Plastic injection moulding, metal tooling and stamping, dust-free spray painting and assembly	Notebook computer casing, LCD PC casing, digital camera casing and game console casing

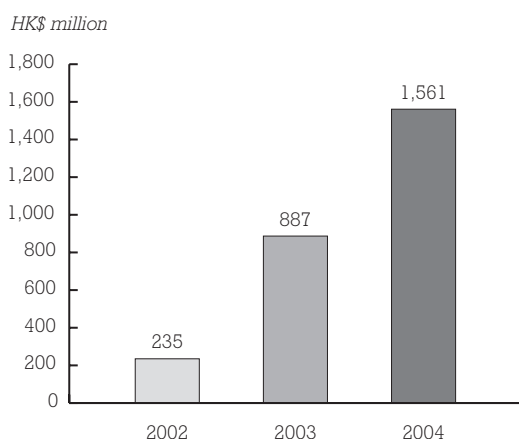
SUMMARY OF THIS PROSPECTUS

Plant	Approximate gross floor area <i>sq.m.</i>	Location	Production process	Products
Ju Teng Electronics	32,358.88	Songjiang Export Processing Zone Shanghai The PRC	Plastic injection moulding, dust-free spray painting and assembly	Notebook computer casing

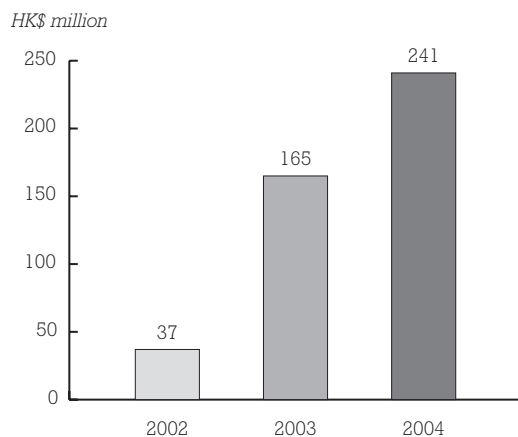
As at 30th September, 2005, we had 19,443 employees, of which 17,812 employees were engaged in production, product engineering, metal tooling and quality assurance and 1,631 employees were engaged in the general management and administration, sales, marketing, accounting and logistic operations of our Group.

The followings are illustrations of the approximate turnover and net profit of our Group during each of the three years ended 31st December, 2004:

Turnover



Net profit



For each of the three years ended 31st December, 2004 and six months ended 30th June, 2004 and 30th June, 2005, our Group achieved total turnover of approximately HK\$234.6 million, HK\$887.3 million, HK\$1,561.1 million, HK\$656.2 million and HK\$1,096.7 million respectively, for which sales of notebook computer casings accounted for approximately 96%, 98%, 98%, 98% and 96%.

SUMMARY OF THIS PROSPECTUS

Further details of the breakdown of our Group's turnover are set out in the paragraph headed "Sales and marketing" under the section headed "Business" in this prospectus.

We experienced significant growth in our turnover since our establishment. The Directors believe that this was due to (i) the increasing demand for notebook computers in recent years and our ability to capture the business opportunities arising from it with an increase in our production capacity; (ii) our provision of comprehensive "one-stop" services in the production of notebook computer casing (including the provision of plastic injection moulding, dust-free spray painting, metal tooling and stamping and assembly of notebook computer casings); and (iii) the fact that our PRC production plants are strategically located having regard to the location of our customers' factories in the PRC.

OUR COMPETITIVE STRENGTHS

The Directors believe that the following factors have been our principal earnings and growth contributors during the Track Record Period, and will continue to be the key strengths to our future growth:

- our comprehensive "one-stop" production solution for casing manufacturing;
- our efficient production facilities;
- our valuable experience in the manufacture of casing;
- our stringent quality control in the production process;
- our established relationships with OEM electronic consumer product manufacturers of leading international brands as well as ODM manufacturers; and
- strategic locations of our production facilities and cost advantage.

SUMMARY OF THIS PROSPECTUS

TRADING RECORD

The following table, which summarises our results of operations for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2005 together with the unaudited comparative figures for the six months ended 30th June, 2004, has been extracted from the accountants' report of our Company as set out in Appendix I to this prospectus. Please refer to the section headed "Financial information" of this prospectus for detailed discussions of our results of operations.

	Year ended 31st December,			Six months ended	
	2002	2003	2004	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)	(audited)
REVENUE					
Sale of goods	234,632	887,332	1,561,093	656,226	1,096,710
Cost of sales	(166,542)	(659,206)	(1,159,259)	(500,953)	(898,375)
Gross profit	68,090	228,126	401,834	155,273	198,335
Other income and gains, net	5,634	22,851	21,542	7,154	19,508
Selling and distribution costs	(7,452)	(13,289)	(21,191)	(9,274)	(12,203)
Administrative expenses	(15,206)	(40,841)	(121,574)	(42,690)	(91,372)
Other operating expenses, net	(1,206)	(4,592)	(5,287)	(4,524)	(852)
Finance costs	(1,481)	(4,954)	(12,557)	(4,120)	(22,267)
PROFIT BEFORE TAX	48,379	187,301	262,767	101,819	91,149
Tax	(11,444)	(22,550)	(21,394)	(6,415)	(13,107)
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	36,935	164,751	241,373	95,404	78,042
DIVIDENDS	-	-	-	-	-
EARNINGS PER SHARE (Note)					
- Basic (HK cents)	5.0	22.3	32.6	12.9	10.5
- Diluted (HK cents)	N/A	N/A	N/A	N/A	10.5

Note: The calculation of basic earnings per Share for each of the relevant periods is based on the combined profit attributable to the equity holders of our Company for each of the relevant periods, and on the assumption that 740,000,000 Shares were deemed to have been in issue or issuable during the relevant periods, comprising the 52,600,000 Shares in issue as at the date of this prospectus and the 687,400,000 Shares to be issued pursuant to the Capitalisation Issue, as disclosed more fully in the paragraph headed "Resolutions in writing of all Shareholders passed on 17th June, 2005 and 6th October, 2005 " in Appendix VII to this prospectus.

The calculation of diluted earnings per Share for the six months ended 30th June, 2005 is based on the profit attributable to the equity holders of the Company of approximately HK\$78,042,000 and the number of Shares as used in the basic earnings per Share calculation, adjusted for 21,815 Shares assumed to have been issued at no consideration on the deemed exercise of options granted under the Pre-IPO Share Option Scheme, on the assumption that the final Offer Price is HK\$1.24 per Share.

SUMMARY OF THIS PROSPECTUS

SHARE AWARD PLAN

As at the Latest Practicable Date, we have made awards of an aggregate of 4,289,776 Shares to an executive Director (namely, Mr. Huang Kuo-Kuang) and 14 employees of our Group under the Share Award Plan. The making of these awards to the Director and these employees under the Share Award Plan is to give due recognition and reward to the contribution of each of them in the growth and development of the Group through an award of Shares.

The awards made under the Share Award Plan did not have any significant financial impact on the combined profit attributable to the equity holders of the Company for the six months ended 30th June, 2005. The Directors estimate that such awards made will reduce the combined profit attributable to the equity holders of the Company for the year ending 31st December, 2005 by approximately HK\$3.3 million. Details of the accounting treatment of the Share Award Plan are set out in the paragraph headed “Pre-IPO Share Option Scheme, Share Option Scheme and Share Award Plan” under the section headed “Directors, management and staff” of this prospectus.

PRE-IPO SHARE OPTION SCHEME

We have adopted the Pre-IPO Share Option Scheme. As at the Latest Practicable Date, options to subscribe for an aggregate of 2,800,000 Shares have been granted by us under the Pre-IPO Share Option Scheme, none of which has been exercised by the grantee. Details of the principal terms of the Pre-IPO Share Option Scheme are summarised in the paragraphs headed “Share option schemes” in Appendix VII to this prospectus.

SUMMARY OF THIS PROSPECTUS

Particulars of the options which have been granted under the Pre-IPO Share Option Scheme and which remained outstanding as at the Latest Practicable Date are set out below:

Name of grantee (relations with our Group)	Residential address of grantee	Period during which the options remain exercisable	Exercise price per Share (HK\$)	Number of underlying Shares under the options	Approximate percentage of shareholding held upon exercise of all the options
Mr. Tsui Yung Kwok (<i>executive Director</i>) (<i>Note 1</i>)	Flat D 40th Floor Block 11 Tierra Verde 33 Tsing King Road Tsing Yi New Territories Hong Kong	Period commencing from and including the date falling 12 months from the Listing Date and ending on and including 16th June, 2015 (<i>Note 3</i>)	90% of the final Offer Price	2,800,000	0.28% (<i>Note 2</i>)

Notes:

- Mr. Tsui Yung Kwok joined our Group in August 2004 as an executive Director, the chief financial officer, qualified accountant and the company secretary of our Company. He is a qualified accountant with extensive experience in financial control and accounts. He held a senior position in Ernst & Young in Hong Kong and had over 10 years' experience in auditing and providing corporate advisory services. Prior to his joining of the Group, he had been the executive-in-charge for the auditing of the financial statements of the Group from July 2003 to September 2003 during his employment with Ernst & Young in Hong Kong. Apart from the aforementioned, Mr. Tsui had no involvement in the audit of our Group. He has been contributing to the monitoring of the internal financial control of the Company and has been responsible for the corporate and regulatory compliance for the Group's listing since he joined the Group. Mr. Tsui had also played an essential role in preparing the Company's listing application and in planning the continuing growth and development of the Group as well as enhancing the Group's corporate governance, promoting efficient financial management and treasury aspects of our Group. In enhancing the Group's standard of corporate governance, he had assisted the Group in preparing and finalising the code of practice for the proceedings of the Board, and the securities dealing code for the Group's directors and employees to ensure compliance of the applicable laws and the Listing Rules. He also assisted the Board in preparing and finalising the respective terms of reference for the Company's remuneration committee and audit committee and the establishment thereof. In addition, he acts as the compliance officer of the Group and had assisted the Directors in understanding the Company's and their own duties under the applicable laws and regulations as well as the Listing Rules. These options were granted to Mr. Tsui at the discounted Offer Price in recognition of and reward for his contribution to the Group.
- This percentage is calculated on the basis of 1,002,800,000 Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (as enlarged by the exercise in full of all the options granted under the Pre-IPO Share Option Scheme) but does not take into account any Shares which may fall to be allotted and issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or Shares which may be allotted and issued under the Share Award Plan, and assuming that all the options granted under the Pre-IPO Share Option Scheme are exercised in full at the same time.

SUMMARY OF THIS PROSPECTUS

3. Mr. Tsui Yung Kwok has given an undertaking to our Company and the Stock Exchange that he will not exercise any option granted under the Pre-IPO Share Option Scheme if and to the extent that such exercise will result in the number of Shares in the hands of the public falling below the minimum percentage of 25% of the Company's total issued share capital from time to time as prescribed under the Listing Rules.

The options granted under the Pre-IPO Share Option Scheme did not have any significant financial impact on the combined profit attributable to the equity holders of the Company for the six months ended 30th June, 2005. The Directors estimate that such options granted will reduce the combined profit attributable to the equity holders of the Company for the year ending 31st December, 2005 by approximately HK\$0.6 million. Details of the accounting treatment of the Pre-IPO Share Option Scheme are set out in the paragraph headed "Pre-IPO Share Option Scheme, Share Option Scheme and Share Award Plan" under the section headed "Directors, management and staff" of this prospectus.

Furthermore, the exercise of the options granted under the Pre-IPO Share Option Scheme would result in the dilution of the percentage interest in Shares of the then Shareholders and the earnings per Share at the time of such exercise. The following table illustrates the potential dilution effect on the shareholding of the Company upon completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised) and the impact on the historical earnings per Share in respect of the exercise of options granted under the Pre-IPO Share Option Scheme.

Shareholders <i>(Note)</i>	Number of Shares in issue after the Share Offer and the Capitalisation Issue	Approximate percentage	Number of Shares in issue after the exercise of the Pre-IPO Share Options	Approximate percentage
Southern Asia	395,947,439	39.59%	395,947,439	39.48%
Extrawell	182,282,174	18.23%	182,282,174	18.18%
Share Award Plan Trustee	13,405,550	1.34%	13,405,550	1.33%
Various investors	148,364,837	14.84%	148,364,837	14.80%
Mr. Tsui Yung Kwok	0	0	2,800,000	0.28%
Public	260,000,000	26.00%	260,000,000	25.93%
Total	<u>1,000,000,000</u>	<u>100%</u>	<u>1,002,800,000</u>	<u>100%</u>

Note: Details of the Shareholders are described in the paragraph headed "Group structure" under the section headed "Business" in this prospectus.

SUMMARY OF THIS PROSPECTUS

It is expected that the exercise in full of the options granted under the Pre-IPO Share Option Scheme will have the following impact on the historical earnings per Share of the Company:

Net profit for the year ended

31st December, 2004 Approximately HK\$241 million

Number of Shares in issue or to be issued pursuant

to the Capitalisation Issue (*Note 1*) 740,000,000

Number of Shares to be issued upon full exercise

of the options granted under the Pre-IPO Share

Option Scheme 2,800,000

Basic earnings per Share (*Note 2*) Approximately 32.6 HK cents

Unaudited pro forma diluted earnings per Share

after taking into account of the exercise in full

of the options granted under the

Pre-IPO Share Option Scheme (*Note 3*) Approximately 32.4 HK cents

Notes:

1. Based on the assumption that 740,000,000 Shares, comprising 52,600,000 Shares in issue and 687,400,000 Shares to be issued pursuant to the Capitalisation Issue, were deemed to have been issued throughout the year ended 31st December, 2004.
2. The calculation of the basic earnings per Share is based on the combined profit attributable to the equity holders of the Company for the year ended 31st December, 2004 and divided by 740,000,000 Shares, being the number of Shares deemed to have been issued throughout the year ended 31st December, 2004 and without the exercise of the options granted under the Pre-IPO Share Option Scheme.
3. The calculation of the unaudited pro forma diluted earnings per Share is based on the combined profit attributable to the equity holders of the Company for the year ended 31st December, 2004 and divided by 742,800,000 Shares, being the number of Shares deemed to have been issued throughout the year ended 31st December, 2004 and as adjusted by the 2,800,000 Shares issuable upon the exercise in full of the options granted under the Pre-IPO Share Option Scheme, as if these Shares had been issued on 1st January, 2004.

PROFIT FORECAST FOR THE YEAR ENDING 31ST DECEMBER, 2005

Forecast combined profit attributable to

the equity holders of the Company (*Note 1*) not less than
approximately HK\$180 million

Forecast earnings per Share on pro forma

fully diluted basis (*Notes 2 and 3*) approximately 18.0 HK cents

SUMMARY OF THIS PROSPECTUS

Notes:

1. The bases and assumptions on which the forecast combined profit attributable to the equity holders of the Company for the year ending 31st December, 2005 are set forth in Appendix IV to this prospectus.
2. The calculation of the forecast earnings per Share on pro forma fully diluted basis is based on the forecast combined profit attributable to the equity holders of the Company for the year ending 31st December, 2005 and assuming that we had been listed on the Main Board since 1st January, 2005 and a total of 1,000,000,000 Shares had been in issue throughout the year. The calculation does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, any options which have been or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme or which may be allotted and issued or repurchased by us pursuant to the Share Award Plan or the general mandates for the allotment and issue or repurchase of Shares referred to in the paragraph headed "Resolutions in writing of all Shareholders passed on 17th June, 2005 and 6th October, 2005" in Appendix VII to this prospectus.
3. No account has been taken of any interest which may have been earned if the estimated net proceeds from the issue of Offer Shares had been received on 1st January, 2005.

OFFERING STATISTICS

	Based on an Offer Price of	
	HK\$1.24	HK\$1.57
Market capitalisation (<i>Note 1</i>)	HK\$1,240 million	HK\$1,570 million
Prospective price/earnings multiple on pro forma fully diluted basis (<i>Note 2</i>)	approximately 6.9 times	approximately 8.7 times
Pro forma adjusted net tangible assets value per Share (<i>Note 3</i>)	approximately HK\$1.07	approximately HK\$1.15

Notes:

1. The calculation of market capitalisation of the Shares is based on 1,000,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue but does not take into account any Shares which may be issued upon exercise of the Over-allotment Option or any options which have been or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme or any Shares which may be allotted and issued by the Company under the Share Award Plan or pursuant to the general mandate to issue Shares or repurchase Shares described in the paragraph headed "Resolutions in writing of all Shareholders passed on 17th June, 2005 and 6th October, 2005" in Appendix VII to this prospectus and the respective minimum and maximum indicative Offer Prices of HK\$1.24 and HK\$1.57.
2. The calculation of the prospective price/earnings multiple on pro forma fully diluted basis is based on the forecast earnings per Share on pro forma fully diluted basis of approximately 18.0 cents for the year ending 31st December, 2005 as shown in the paragraph headed "Profit forecast for the year ending 31st December, 2005" above and the respective minimum and maximum indicative Offer Prices of HK\$1.24 and HK\$1.57.
3. The pro forma adjusted net tangible assets value per Share is arrived at after making the adjustment set forth in the paragraph headed "Pro forma net tangible assets" under the section headed "Financial information" of this prospectus.

SUMMARY OF THIS PROSPECTUS

FUTURE PLANS AND PROSPECTS

Our Group's objective is to establish ourselves as a leading casing manufacturer of notebook computers, LCD PCs, LCD TVs, digital cameras and game consoles in the PRC by utilising our expertise in plastic injection moulding, metal tooling and stamping and dust-free spray painting. The Directors believe that the international demand for notebook computers, LCD PCs, LCD TVs, digital cameras and game consoles will continue to show a steady growth which will provide a platform for the growth of our business. Our Group plans to continue to expand our existing production facilities and will continue to dedicate resources towards the development of new categories of products with a view to satisfying the expectation and requirements of our customers.

We intend to implement the following strategies for our future development:

Expansion of production capacity

We have established a new manufacturing plant operated by Ju Teng Electronics and expanded the existing manufacturing plants operated by Everyday Computer and Suzhou Dazhi respectively. In order to take advantage of the cost savings from economies of scale and to satisfy the increasing volume of customers' orders, we intend to further expand our production capacity by installing additional production lines at Everyday Computer, Suzhou Dazhi and Ju Teng Electronics. The Directors believe that increasing our production facilities will allow us to further reduce our unit cost of production and achieve a higher profit margin as a result of the economies of scale. We will continue to monitor our estimated production capacity at full utilisation and the forecast level of demand for our products and continue to expand our facilities as and when appropriate.

Upgrade production technology

In order to capture the increasing market demand for notebook computers and further compete with magnesium casing in terms of market share, our Directors intend to improve our production technology via the installation of new machineries and the introduction of new technology. The Directors believe that the introduction of new technological know-how and expertise will be beneficial to the continuous growth of our Group in terms of market competitiveness and market share.

Research and development

In view of the importance of developing new and advanced products in the future, it is the present intention of the Directors that our Group will focus on technological development in the following areas by means of our internal development: (1) application of in mould decoration, which can be best described as film insert moulding for

SUMMARY OF THIS PROSPECTUS

decorating and manufacturing durable plastic parts; (2) aluminium stamping applied in notebook computers for extra thin casing at 0.5 mm; and (3) three dimensional visual spray printing.

Upstream integration

In order to improve our cost and production efficiency, we plan to acquire interests in mould manufacturing and related businesses, which will support our needs for different moulds for the plastic injection, spray painting and metal stamping processes.

Particularly for our Group's production of casings for notebook computers, LCD PCs, digital cameras and game consoles, our Group intends to expand its business by investing in the mould manufacturing business, either by means of acquiring interests in other companies engaged in the manufacture of moulds, casing mechanical manufacture and production materials supplies or by means of establishing joint ventures with experienced manufacturers or suppliers in these areas, which can in turn provide support to the Group's metal tooling needs, as well as its mould development and production.

As at the Latest Practicable Date, our Group has not identified any specific targets for any acquisition or establishment of any moulding, casing mechanical manufacture or production materials suppliers business. However, our Group intends to invest in mould manufacture, casing mechanical manufacture and production materials supplies, respectively, either through the establishment of a joint venture company with Independent Third Party/Parties with extensive experience in the aforesaid businesses and/or acquiring equity interests in those companies engaged in the aforesaid businesses. Taking into account the selection criteria with regard to production scale and the positioning in the relevant industry as set out below, the Directors consider that the net proceeds of approximately HK\$114 million to be applied for the aforementioned purposes is reasonable.

Our Group aims to invest in mould manufacture by either acquiring equity interests in a leading mould manufacturer for the casings of notebook computer, game console, LCD PC/TV, mobile phone and other electronic products with production facilities in Eastern China and high production capacity, or by establishing a joint venture for engaging in this business with a manufacturer of such caliber.

For the intended investment in the manufacture of casing mechanical parts, our Group aims to either acquire equity interests in, or establish joint ventures with, a leading casing mechanical manufacturer for the casings of notebook computer, game console, LCD PC/TV, mobile phone and other electronic products with production facilities in Eastern China and high production capacity.

SUMMARY OF THIS PROSPECTUS

For the intended investment in business for production materials supplies, our Group aims at either acquiring equity interests in, or establishing joint ventures with, a major supplier of plastic resin with a distribution network in Eastern China.

Product diversification

We intend to diversify our existing products to other electronic products' casings. The Directors believe that we can leverage on our relationships with our existing customers and utilise our technological know-how in casing manufacturing to explore production opportunities relating to other personal digital products and consumer electronics products such as mobile phones, PDAs and LCD TVs.

REASONS FOR THE NEW ISSUE AND THE USE OF PROCEEDS

The New Issue will enhance our Group's capital base and provide our Group with additional working capital to implement the future plans set out in the paragraph headed "Future plans and prospects" above.

Based on the Offer Price of HK\$1.405 (being the mid-point of the indicative Offer Price range set out on the cover page of this prospectus) and before any exercise of the Over-allotment Option, the net proceeds from the New Issue, after deducting the relevant expenses, are estimated to be approximately HK\$325.3 million. We intend to apply these net proceeds as follows:

- as to approximately HK\$118 million to acquire new machinery for plastic injection moulding, metal tooling and stamping;
- as to approximately HK\$114 million to fund future investment in, or acquisitions of, interests in other companies engaged in mould manufacture, casing mechanical manufacture and production materials supplies;
- as to approximately HK\$77 million for the repayment of part of our outstanding bank borrowings comprising: (i) three bank loans in the total principal amount of approximately HK\$46 million drawn under a banking facility with interest rates ranging from 5.48% to 5.62% per annum, each of which will mature on 2nd May, 2007 and has been utilised for the procurement of production materials and acquisition of machinery for our Group; and (ii) two bank loans in the aggregate principal amount of approximately HK\$14 million with interest rate of 5.742% per annum, which will mature on 2nd March, 2006, and approximately HK\$17 million with interest rate of 5.742% per annum which will mature on 15th March, 2006, both of which have been utilised by us for the procurement of production materials and payment of construction in progress of the Group; and

SUMMARY OF THIS PROSPECTUS

- the remaining net proceeds of approximately HK\$16.3 million will be applied as general working capital for financing our Group's purchases of production materials and capital expenditures.

Should the Offer Price be set at the maximum Offer Price of HK\$1.57 instead of HK\$1.405, being the mid-point of the indicative Offer Price, we presently intend to apply the additional net proceeds of approximately HK\$41.2 million in the same manner and proportion as shown above. Should the Offer Price be set at the minimum indicative Offer Price of HK\$1.24 instead of HK\$1.405, being the mid-point of the indicative Offer Price, we presently intend to apply the reduced net proceeds in the amount of approximately HK\$284.1 million in the same manner and proportion as shown above.

Should the Over-allotment Option be exercised in full, we will receive additional net proceeds of approximately HK\$52.9 million (based on the Offer Price of HK\$1.405, being the mid-point of the indicative Offer Price range set out on the cover page of this prospectus) from the New Issue. We presently intend to apply the aforesaid net proceeds in the same manner and in the same proportion as shown above.

To the extent that the net proceeds from the New Issue are not immediately required for the above purposes, it is our intention that they will be placed on short-term interest-bearing deposits with authorised financial institutions and/or licensed banks in Hong Kong.

In view of the rapid growth of the business of the Group during the Track Record Period and the expected growth thereof in the foreseeable future, the Sponsors are of the view that it is reasonable for our Group to apply HK\$114 million of the net proceeds from the New Issue for future investment or acquisition of related businesses of our Group. The Sponsors also consider that the overall plan as to the use of proceeds from the New Issue is fair and reasonable.

Taking into account the net proceeds from the New Issue and the banking facilities of our Group, the Directors consider that our Group will have sufficient funding to satisfy our Group's business plan.

DIVIDEND POLICY

The payment of and the amount of any dividends will be at the discretion of our Directors and will depend on our Group's results, working capital requirement, cash positions, the relevant requirements under the applicable PRC laws and other factors that our Directors consider relevant from time to time. The undistributed profit will be used to finance our Group's continued growth and expansion of business.

SUMMARY OF THIS PROSPECTUS

RISK FACTORS

There are certain risks involved in our operations which are briefly summarised in the section headed “Risk factors” in this prospectus. These risks can be broadly divided into three categories namely (i) risks relating to our business; (ii) risks relating to the industry; and (iii) risks relating to the PRC, which are summarised below:

Risks relating to our business

- potential risks associated with taxation
- reliance on key personnel
- imports
- reliance on major customers
- reliance on major suppliers
- reliance on Asian markets
- sustainability of profit margin
- seasonal fluctuations in turnover
- supply of production materials
- inventory obsolescence
- currency conversion and exchange rate risk
- credit risk
- potential legal defect in certain tenancy agreements
- business concentration
- reliance on connected persons and potential competing business of the associates of the controlling Shareholder and/or Directors
- payment of dividends
- another possible outbreak of SARS or other serious contagious diseases
- political risks associated with doing business in Taiwan
- potential impact on power supply shortage
- adverse effect associated with the Pre-IPO Share Option Scheme, the Share Option Scheme and the Share Award Plan

Risks relating to the industry

- competition
- performance of industries in which our products are used
- environmental liability exposure

Risks relating to the PRC

- economic, political, legal and social conditions
- government control of currency conversion
- the PRC legal system

Other risks

DEFINITIONS

In this prospectus, the following terms and expressions shall have the following meanings, unless the context requires otherwise:

“Access Capital”	Access Capital Limited, one of the Sponsors and a licensed corporation for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as set out in schedule 5 to the SFO
“Application Form(s)”	WHITE application form(s) and YELLOW application form(s), or where the context so requires, any of them
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Best Alliance”	Best Alliance Holding Inc., a company incorporated in the BVI on 21st April, 2004 and a direct wholly-owned subsidiary of our Company
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and Sunday) on which licensed banks in Hong Kong are generally open for banking business throughout their normal business hours
“BVI”	British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “Resolutions in writing of all Shareholders passed on 17th June, 2005 and 6th October, 2005” in Appendix VII to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Broker Participant”	a person admitted to participate in CCASS as a broker participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

DEFINITIONS

“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Broker Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Cheng Family Trust”	the family trust founded by Mr. Cheng Li-Yu, the beneficiaries of which include Mr. Cheng Li-Yen, Mr. Cheng Li-Yu and certain of their respective family members
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Director(s)”	the director(s) of our Company
“Ernst & Young”	Ernst & Young, the auditors, reporting accountants and tax advisers of our Group
“Ever Grand”	Ever Grand Group Limited, a company incorporated in Samoa on 28th August, 2002 and is owned by Mr. Cheng Li-Yu, Mr. Cheng Li-Yen, certain of their respective family members, Mr. Huang Kuo-Kuang, an employee of the Group and a company controlled by Mr. Cheng Li-Yu. Ever Grand had subsequently disposed of its interests in our Group to Southern Asia pursuant to the Reorganisation
“Everyday Computer”	大昶電腦配件(蘇州)有限公司 (Everyday Computer Components (Suzhou) Co., Ltd.), a wholly foreign-owned enterprise established under the laws of the PRC on 6th July, 2000 and an indirect wholly-owned subsidiary of our Company
“Extrawell”	Extrawell Developments Limited, a company incorporated in Samoa on 25th October, 2000 and owned as to approximately 14.25% by Mr. Horng Tsai-Chin, a non-executive Director, as to approximately 45.08% by family members of Mr. Horng Tsai-Chin, two of whom are also an employee of Ta Yu Metallic, as to approximately 16.17% by two individuals who are Independent Third Parties and the remaining approximately 24.5% by three employees of Ta Yu Metallic

DEFINITIONS

“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“Gi Li”	其立股份有限公司 (transliterated as Gi Li Co., Ltd.), a company incorporated in Taiwan on 14th March, 2002 and an indirect wholly-owned subsidiary of our Company
“Giant Glory”	Giant Glory International Limited, a company incorporated in Samoa on 25th January, 2000 and an indirect wholly-owned subsidiary of our Company
“Global Coordinator”	SinoPac Securities
“Hempton”	Hempton International Limited, a company incorporated in Samoa on 8th May, 2002 and an indirect wholly-owned subsidiary of our Company
“HKFRS”	Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Public Offer”	an offer for subscription by the public in Hong Kong (subject to re-allocation as described in the section headed “Structure of the Share Offer” in this prospectus) of the Hong Kong Public Offer Shares for cash at the Offer Price payable in full on application and subject to the terms and conditions stated herein and in the Application Forms
“Hong Kong Public Offer Shares”	the 26,000,000 New Shares initially being offered for subscription under the Hong Kong Public Offer, subject to re-allocation as mentioned in the section headed “Structure of the Share Offer” in this prospectus

DEFINITIONS

“Hong Kong Public Offer Underwriters”	SinoPac Securities, Kingsway Financial, Access Capital, BCOM Securities Company Limited, CIMB-GK Securities (HK) Limited, Guotai Junan Securities (Hong Kong) Limited, KGI Capital Asia Limited, Sun Hung Kai International Limited and Tai Fook Securities Company Limited
“Hong Kong Public Offer Underwriting Agreement”	the underwriting agreement dated 24th October, 2005 relating to the Hong Kong Public Offer and entered into by the Company, Southern Asia, Extrawell, the executive Directors and Mr. Horng Tsai-Chin, the Sponsors, Kingsway Financial and the Hong Kong Public Offer Underwriters relating to the Hong Kong Public Offer, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Independent Third Party(ies)”	independent third party or parties who is/are not connected with any of the directors, chief executive and substantial shareholders of our Company or any of its subsidiaries or any of their respective associates
“International Placing”	the conditional placing of the International Placing Shares by the International Placing Underwriters on behalf of our Company for cash at the Offer Price to professional and institutional investors as further described in the section headed “Structure of the Share Offer” in this prospectus
“International Placing Shares”	234,000,000 New Shares initially offered for subscription under the International Placing, with any additional Shares issued pursuant to the exercise of the Over-allotment Option (subject to re-allocation as described in the section headed “Structure of the Share Offer” in this prospectus)
“International Placing Underwriting Agreement”	the underwriting agreement expected to be entered into on or before 29th October, 2005 by, inter alia, our Company, Southern Asia, Extrawell, the executive Directors and Mr. Horng Tsai-Chin, the Sponsors, Kingsway Financial and the International Placing Underwriters relating to the International Placing, particulars of which are summarised in the section headed “Underwriting” in this prospectus

DEFINITIONS

“International Placing Underwriters”	SinoPac Securities and Kingsway Financial
“Joint Bookrunners” or “Joint Lead Managers”	SinoPac Securities and Kingsway Financial
“Ju Teng Electronics”	巨騰電子(上海)有限公司 (transliterated as Ju Teng Electronics (Shanghai) Co., Ltd.), a wholly foreign-owned enterprise established under the laws of the PRC on 7th June, 2002 and an indirect wholly-owned subsidiary of our Company
“Kingsway Financial”	Kingsway Financial Services Group Limited, a licensed corporation for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as set out in schedule 5 to the SFO
“Latest Practicable Date”	20th October, 2005, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	the date on which dealings in the Shares on the Main Board first commence, which is expected to be 3rd November, 2005
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“New Issue”	the issue of the New Shares under the Share Offer

DEFINITIONS

“New Shares”	a total of 260,000,000 new Shares initially being offered by our Company under the Share Offer and where relevant, any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option
“Offer Price”	the price for each Offer Share, exclusive of brokerage of 1%, the SFC investor compensation levy of 0.002%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.005%, at which the Offer Shares are to be offered under the Share Offer; such price is not more than HK\$1.57 per Offer Share and is expected to be not less than HK\$1.24 per Offer Share
“Offer Shares”	the Hong Kong Public Offer Shares and the International Placing Shares
“Over-allotment Option”	the option expected to be granted by our Company to the International Placing Underwriters exercisable by the Global Coordinator under the International Placing Underwriting Agreement to require our Company to allot and issue up to 39,000,000 additional new Shares, representing 15% of the Shares initially being offered by our Company under the Share Offer, solely to cover over-allocations in the International Placing, if any
“Overseas Incorporated Subsidiaries”	collectively, Sincere Joy Corporation, Applied Business Company Inc., Tri-Great International Limited, ICAN Business Limited, Hempton and Giant Glory, being some of the subsidiaries of our Company incorporated outside the PRC, Hong Kong or Taiwan; and “Overseas Incorporated Subsidiary” shall be construed accordingly
“PRC”	the People’s Republic of China, which for the purpose of this prospectus, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Pre-IPO Share Option Scheme”	the pre-initial public offering share option scheme adopted by our Company on 17th June, 2005, the principal terms of which are summarised under the paragraph headed “Share option schemes” in Appendix VII to this prospectus
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Global Coordinator (on behalf of the Underwriters) at or before the Price Determination Time to record the final Offer Price
“Price Determination Time”	the time at which the final Offer Price is expected to be fixed for the purposes of the Share Offer, which is expected to be at or before 6:00 p.m. (Hong Kong time) on 29th October, 2005 or such later date as may be agreed between the Company and the Joint Bookrunners (on behalf of the Underwriters) but in any event not later than 1st November, 2005
“Regulation S”	Regulation S under the U.S. Securities Act, as amended from time to time
“Reorganisation”	the corporate reorganisation of our Group in preparation for the listing of the Shares on the Stock Exchange, details of which are set out in the paragraph headed “Group reorganisation” under the section headed “Further information about our Company and our subsidiaries” in Appendix VII to this prospectus
“SAFE”	the PRC State Administration of Foreign Exchange (中國國家外匯管理局), a government agency responsible for foreign exchange administration in the PRC
“San Li”	三鑫有限公司 (transliterated as San Li Company Limited), a company incorporated in Taiwan and is principally engaged in dust-free spray painting. It is owned as to 44.2% by Mr. Cheng Li-Yu, an executive Director, 25.8% by Mr. Cheng Li-Yen, an executive Director and the remaining 30% by respective family members of them
“SFC”	Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the share capital of our Company
“Share Award Plan”	the employee share award plan adopted by our Company on 17th June, 2005, the principal terms of which are summarised in the paragraph headed “Share Award Plan” in Appendix VII to this prospectus
“Share Award Plan Trustee”	Bank of East Asia (Trustees) Limited, being the trustees currently appointed by us for the administration of the Share Award Plan
“Share Offer”	the Hong Kong Public Offer and the International Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 6th October, 2005, the principal terms of which are summarised in the paragraph headed “Share option schemes” in Appendix VII to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“SinoPac Securities”	SinoPac Securities (Asia) Limited, a licensed corporation for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as set out in schedule 5 to the SFO
“Southern Asia”	Southern Asia Management Limited, a company incorporated in Samoa on 8th August, 2000 and is beneficially owned as to approximately 69.09% by the Cheng Family Trust, approximately 6.09% by a company jointly controlled by Mr. Cheng Li-Yu and an Independent Third Party and the remaining approximately 24.82% by various employees of the Group and/or their spouses, three relatives of Mr. Cheng Li-Yu, a company controlled by Mr. Cheng Li-Yu and other independent passive investors

DEFINITIONS

“Sponsors”	SinoPac Securities and Access Capital
“Stock Borrowing Agreement”	the stock borrowing agreement which is expected to be entered into between Southern Asia and the Global Coordinator on or about 29th October, 2005, pursuant to which the Global Coordinator may borrow up to 39,000,000 Shares from Southern Asia solely to cover any over-allocations under the International Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunrise”	朝昶塑膠有限公司 (transliterated as Sunrise Plastic Injection Company Limited), a company incorporated in Taiwan and is principally engaged in plastic injection moulding. It is owned as to approximately 43.33% by Mr. Cheng Li-Yen, an executive Director, approximately 6.67% by his family members and the remaining 50% by two Independent Third Parties
“Suzhou Dazhi”	蘇州大智資訊配件有限公司 (Suzhou Dazhi Communication Accessory Co., Ltd.), a wholly foreign-owned enterprise established under the laws of the PRC on 29th September, 2002 and an indirect wholly-owned subsidiary of our Company
“Ta Yu Metallic”	大煜金屬鐵工廠有限公司 (transliterated as Ta Yu Metallic Company Limited), a company incorporated in Taiwan and is principally engaged in metal tooling and stamping. It is owned as to 30% by Mr. Horng Tsai-Chin, a non-executive Director, approximately 63.33% by his family members and approximately 6.67% by an Independent Third Party
“Track Record Period”	the period comprising the three financial years ended 31st December, 2004 and the six months ended 30th June, 2005
“Trustee”	East Asia International Trustees Limited, being the trustee for the Cheng Family Trust
“Underwriters”	the International Placing Underwriters and the Hong Kong Public Offer Underwriters
“Underwriting Agreements”	the International Placing Underwriting Agreement and the Hong Kong Public Offer Underwriting Agreement

DEFINITIONS

"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time
"we", "us", "our Group", "our Company" or "the Company"	Ju Teng International Holdings Limited (巨騰國際控股有限公司), an exempted company incorporated in the Cayman Islands on 12th July, 2004 with limited liability. Except where the context otherwise requires, references to "we", "us" and "our Group" in this prospectus include all of our subsidiaries and in respect of the period prior to the incorporation of our Company, reference to "our Company", "the Company", "we", "us" and "our Group" include any of our subsidiaries
"HK\$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"kg"	kilogram
"NT\$"	New Taiwan dollars, the lawful currency of Taiwan
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"sq.ft."	square feet
"sq.m."	square metres
"US" or "United States"	the United States of America
"US\$" or "USD"	United States dollars, the lawful currency of the United States
"%"	per cent.

Unless otherwise specified in this prospectus, amounts denominated in foreign currencies (other than those relating to the financial information of our Group which are converted at the rates as at the relevant dates in question) have been converted, for the purpose of illustration only, into Hong Kong dollars using the following rates:

$$\begin{aligned} \text{US\$1} &= \text{HK\$7.80} \\ \text{RMB1} &= \text{HK\$0.9615} \\ \text{NT\$1} &= \text{HK\$0.2347} \end{aligned}$$

No representation is made that any amount in US\$, RMB, HK\$ or NT\$ could have been or could be converted to the other currencies at the above rates or at any other rates or at all.

GLOSSARY OF TERMS

This glossary contains explanations of certain terms and definitions used in this prospectus in connection with our Group and/or our business. The terms and their meanings as set out below may not correspond to standard industry meaning or usage of the same.

“CAGR”	compound annual growth rate
“CPU”	acronym for central processing unit, the computational and control unit of a computer
“dust-free spray painting”	spraying of paint onto a surface in a dust-free room
“ISO9000 series”	a series of international standards on quality management and quality assurance developed by ISO Technical Committee 176 in 1987 and which has been adopted by more than 80 countries
“ISO9001” or “ISO9002”	each a constituent part of the ISO9000 series which covers the areas of management responsibility; quality system; contract review; document and data control; purchasing; control of customer-supplied product; product identification and traceability; process control; inspection and testing; control of inspection, measuring and test equipment; inspection and test status; control of nonconforming product; corrective and preventive action; handling, storage, packaging, preservation and delivery; control of quality records; internal quality audits; training; servicing and statistical techniques
“LCD”	acronym for liquid crystal display
“metal tooling”	the making of metal tools for the purpose of moulding
“ODM”	acronym for original design manufacturing, a type of manufacturing under which the manufacturer owns the design of the products and the products are marketed under the customer's brand name
“OEM”	acronym for original equipment manufacturing under which products are manufactured, in whole or in part, in accordance with specifications of the customer and are marketed under the customer's brand name
“PC(s)”	acronym for personal computer(s)

GLOSSARY OF TERMS

“PDA”	acronym for personal digital assistant
“plastic injection moulding”	processing plastic materials into desired forms by moulding
“resin”	synthetic resin in small particle form used as plastic moulding materials
“stamping”	a production process whereby metal sheets are cut and stamped into desired form
“TVs”	televisions
“two-spindle notebook computer”	a computer design with two internal storage drivers, usually the hard drive and an optical drive or a floppy disk drive
“ultraportable”	a one-spindle notebook computer design that includes an internal hard disk but no other internal fixed media
“utilisation rate”	the percentage of the actual utilisation of our Group's relevant production facilities to the maximum production capacity thereof

DEFINITIONS OF CUSTOMERS

In this prospectus, unless the context otherwise requires, the following abbreviated names of our Group's customers mean:

"Arima"	Arima Computer Corp., a company which shares are listed on the Taiwan Stock Exchange Corporation
"Asus"	ASUSTeK Computer Inc., a company which shares are listed on the Taiwan Stock Exchange Corporation
"Compal"	Compal Electronics Inc., a company which shares are listed on the Taiwan Stock Exchange Corporation
"FIC"	FIC Global Inc., a company which shares are listed on the Taiwan Stock Exchange Corporation
"Quanta"	Quanta Computer Inc., a company which shares are listed on the Taiwan Stock Exchange Corporation
"Wistron"	Wistron Corporation, a company which shares are listed on the Taiwan Stock Exchange Corporation

RISK FACTORS

Potential investors should consider carefully all of the information set out in this prospectus and, in particular, should consider the following risk factors associated with an investment in the Company. Our business could be materially adversely affected by any of the risks and uncertainties described below. The trading price of our Shares could also decline due to any of these risks and uncertainties and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Potential risks associated with taxation

Our PRC incorporated subsidiaries are entitled to full exemption from income tax for two years starting from the first profit making year, followed by a 50% relief of income tax for the three years thereafter. In addition, as foreign-invested manufacturing enterprises in the PRC, each of Everyday Computer and Suzhou Dazhi is subject to a preferential income tax rate of 24%. The applicable income tax rate for Ju Teng Electronics is 15% as it is a foreign-invested manufacturing enterprise situated in a designated economic and technological development zone in the PRC.

Should there be any unfavourable policy change in relation to any of the above preferential tax treatments or tax relief, our profitability may be adversely affected.

Our Group has been carrying out its operations through Overseas Incorporated Subsidiaries and three PRC manufacturing subsidiaries, namely Everyday Computer, Suzhou Dazhi and Ju Teng Electronics, during the Track Record Period. These Overseas Incorporated Subsidiaries were principally engaged in the procurement and sourcing of production materials for our Group's manufacturing operations in the PRC and also act as the sales booking companies for on-sale of finished goods manufactured by the PRC manufacturing subsidiaries to end customers. Some of the production materials have been sourced by these Overseas Incorporated Subsidiaries through Gi Li in Taiwan. The aforesaid operations of the Overseas Incorporated Subsidiaries are principally situated in Taiwan. Under the existing operational structure, our Group has been able to obtain bank financing outside the PRC in a more cost effective and flexible manner. Giant Glory has also provided certain technical supports and assistance to Everyday Computer during the Track Record Period, in consideration of which Everyday Computer paid a royalty to Giant Glory, and reimbursed Giant Glory all costs and expenses in respect of the technicians seconded to Everyday Computer in connection therewith.

According to 關聯企業間業務往來稅務管理實施辦法 (the Implementation Rules for the Administration of Tax Regarding Transactions Among Related Enterprises) ("RPT Tax Rules") promulgated by the PRC State Tax Bureau on 29th October, 1992, any foreign-owned or foreign-invested enterprise in the PRC which has transactions with its related companies incorporated overseas should file the 《外商投資企業和外國企業與其關聯企業業務往來情況年度申報表》(Annual Declaration for Transactions with Related

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Parties for Foreign-owned and Foreign-invested Enterprises) ("Annual Declaration") with the local PRC tax authority. However, both Everyday Computer and Suzhou Dazhi have not duly filed the Annual Declaration with the local PRC tax authority for the financial years up to 31st December 2003, while Ju Teng Electronics has duly filed such Annual Declaration with the local PRC tax authority regarding its purchase transactions with Hempton, which took place during the year ended 31st December, 2004. All the outstanding filings in respect of the sale and purchase transactions between the Overseas Incorporated Subsidiaries and each of Everyday Computer and Suzhou Dazhi up to the financial year ended 31st December 2004 have been subsequently made in early 2005.

As advised by our PRC legal advisers, the relevant PRC tax authority may impose on the Group a monetary penalty up to RMB10,000 in respect of its past breach of the filing requirements. The Directors consider that the said penalty is immaterial and will not have any significant impact on the financial position of our Group.

As advised by our PRC legal advisers, under the RPT Tax Rules, the relevant PRC tax authority may re-assess the pricing arrangement for those PRC manufacturing subsidiaries during the Track Record Period and for up to ten years after the relevant sale and purchase transactions with the Overseas Incorporated Subsidiaries and, in the event that the relevant PRC tax authority adjudicates that the Group's pricing arrangement was not on terms comparable with the pricing arrangement among independent enterprises and thereby reduced the income tax payable by these PRC manufacturing subsidiaries, the relevant PRC tax authority may adjust the income tax payable accordingly.

According to our PRC legal advisers' enquiry with the branch office of Wu Jiang national tax office in February 2005, it had reviewed the tax filings from each of Everyday Computer and Suzhou Dazhi in respect of the relevant sale and purchase transactions with these Overseas Incorporated Subsidiaries and had not identified any non-compliance of laws and/or regulations or any irregularities therefrom. The said tax office had also confirmed that it had no present intention to pursue any investigation on the pricing arrangements in these transactions or to impose any penalty in respect of such late filings. Despite the risk of re-assessment, on the basis that the two entities were in their respective tax holiday periods, the Directors consider that such re-assessment risk in respect of the tax position of these entities in the PRC during the Track Record Period is comparatively low. As advised by our PRC legal advisers, Ju Teng Electronics has not been subject to any investigation or re-assessment by the relevant PRC tax authority since its establishment.

As advised by our Taiwan legal advisers, under 營利事業所得稅不合常規移轉訂價查核準則 (Business Income Tax Irregular Transfer Pricing Assessment Rules) enacted in Taiwan in December 2004 and which has become effective since 1st January, 2005, if, at any time during the five taxation years after the relevant sale and purchase transactions between Gi Li and these Overseas Incorporated Subsidiaries, the Taiwan

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tax authority adjudicates that the pricing arrangement for these sale and purchase transactions was unfair and irregular, the Taiwan tax authority may make a deemed adjustment of the pricing arrangement and thereby adjust the income tax payable by Gi Li accordingly. Both Ernst & Young and our Taiwan legal advisers are of the view that the Taiwan tax authorities may adjust the income tax payable by Gi Li from the transfer pricing perspective. However, as advised by our Taiwan legal advisers, no tax penalty will be imposed for any adjustment made in respect of income tax for taxation years prior to 1st January, 2005.

Ernst & Young has also explored the possibility that there is possible assessment by the Taiwan tax authority for the income of the Overseas Incorporated Subsidiaries which may give rise to income sourced in Taiwan. As advised by our Taiwan legal advisers, in determining whether a particular income derived by the Overseas Incorporated Subsidiaries should be regarded as “income sourced in Taiwan” under Section 8 of the Taiwan Income Tax Law, the tax authority will principally consider whether those companies have generated such income as a result of the provision of services or discharge of obligations in Taiwan. The fact that any such company (whether through the staff of Gi Li or otherwise) has operations in Taiwan, other than those operations for generating such income as aforesaid, is not a principal factor for the Taiwan tax authority to determine whether that company's income from one particular transaction should be regarded as “income sourced in Taiwan”. As advised by our Taiwan legal advisers, the income of the Overseas Incorporated Subsidiaries are not regarded by Taiwan taxation authority as “income sourced in Taiwan” and therefore the Overseas Incorporated Subsidiaries were not subject to Taiwan income tax and were not required to file any tax returns in Taiwan under the then prevailing Taiwan Income Tax Law during the Track Record Period.

The Directors have assessed the abovementioned situation and considered the relevant facts during the Track Record Period and have made tax provision on the profits recorded by the Overseas Incorporated Subsidiaries for a sum of approximately HK\$55.2 million, based on the Taiwan statutory profits tax rate of up to 25% during the Track Record Period. On that basis, the Directors estimate that the potential Taiwan corporate income tax liabilities will be approximately HK\$46.5 million as at 30th June, 2005. Ernst & Young consider that the bases for determining the above estimate are reasonable and concur with the Directors that provisions of approximately HK\$55.2 million for potential Taiwan corporate income tax liabilities as at 30th June, 2005 for these companies are sufficient.

Our tax position, details of which are set out in the paragraph headed “Taxation” in the section headed “Financial information” in this prospectus, is based on the nature and conduct of our business. However, our tax position may be subject to review and possible challenge by the tax authorities and any possible change or challenge in law. In the event that there is a change in the tax policy and relevant tax laws in the PRC, Taiwan, Hong Kong and the Cayman Islands, it may adversely affect our Group's profitability.

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Reliance on key personnel

We commenced our operations in 2000 and have a limited operating history in the PRC. The Directors believe that the Group's success is, to a significant extent, attributable to the business strategy and vision of our management, in particular, Mr. Cheng Li-Yu, Mr. Cheng Li-Yen, Mr. Horng Tsai-Chin and Mr. Huang Kuo-Kuang. Therefore, the Directors consider that their continued service is important to our future prospects. In view of their experience, knowledge and well-established relationships with our customers and suppliers, there may be a material adverse impact on our business, operating results, financial position and prospects should any of them cease to be involved in our Group's business and operations.

Imports

For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, approximately 89.19%, 63.44%, 47.45%, 49.13% and 47.92% respectively of our Group's purchases of production materials and components were imported from overseas. During the Track Record Period, the import of these production materials into the PRC by our Group were not subject to any PRC import tax. If there is any change in the import policy of the PRC that imposes any import duty or increases the rate of the import duty, our profitability will be adversely affected.

Reliance on major customers

For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, our Group's five largest customers accounted for approximately 94.84%, 86.68%, 91.64%, 90.83% and 87.73% respectively of our Group's turnover. For the same period, Quanta, the largest customer of the Group, with its subsidiaries Tech-Com (Shanghai) Computer Co. Ltd., Tech-Yeh (Shanghai) Computer Co. Ltd., Tech-Pro (Shanghai) Computer Co. Ltd. and Tech-Front (Shanghai) Computer Co. Ltd. together accounted for approximately 29.16%, 23.25%, 40.81%, 35.03% and 46.17% respectively of our turnover. Save for the sales agreements in respect of the sales to San Li and Sunrise, which constitute continuing connected transactions of the Group upon Listing and are briefly described in the paragraph headed "Continuing connected transactions" in the "Business" section in this prospectus, we have not entered into any long-term sales agreement with any of our customers. Contracts for sales of our Group with customers have been constituted by acceptance of purchasing orders or e-procurement orders. Therefore, if any of our major customers ceases its business relationship with us or substantially reduces the volume of its business with our Group and our Group is unable to compensate such reduction with the increase of sales to other customers, our profitability and prospects may be adversely affected.

RISK FACTORS

Reliance on major suppliers

For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, our Group's five largest suppliers of production materials and components accounted for approximately 78.53%, 58.80%, 22.75%, 22.35% and 26.44% respectively of our Group's purchases. For the same period, our largest supplier accounted for approximately 39.16%, 35.63%, 5.04%, 6.67% and 7.39% respectively of our total purchases. Save for the purchases agreement in respect of the purchases from San Li, Sunrise and Ta Yu Metallic, which constitute continuing connected transactions of the Group upon Listing and are briefly described in the paragraph headed "Continuing connected transactions" in the "Business" section in this prospectus, we have not entered into any long-term procurement contract with any of our suppliers. Therefore, if any of our major suppliers ceases its business relationship with us and we are unable to find suitable alternative suppliers that offer comparable product quality and at comparable prices, we may not be able to meet the orders of our customers on time or maintain the quality of our products. In such circumstances, our profitability and prospects may be adversely affected.

Reliance on Asian markets

For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, our Group's sales to our PRC customers accounted for approximately 64.49%, 68.72%, 87.86%, 83.87% and 91.57% respectively of our Group's turnover. Any adverse change in the political, economic or social conditions, foreign trade or monetary policies, or the legal and regulatory requirements or taxation regime in the PRC and also in Hong Kong, Taiwan and other Asian countries where our products are being sold, may adversely affect the business and profitability of our Group.

Sustainability of profit margin

Our gross profit margin during each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005 were approximately 29.02%, 25.71%, 25.74%, 23.66% and 18.08% respectively. The net profit margin of our Group in respect of the same periods were 15.74%, 18.57%, 15.46%, 14.54% and 7.12% respectively. Our Group experienced a period of rapid growth of profit attributable to the equity holders of the Company from approximately HK\$37 million in 2002 to approximately HK\$241 million in 2004. Due to the increase in the cost of production materials, labour cost and finance cost, our Group recorded a net profit of approximately HK\$78 million for the six months ended 30th June, 2005, representing a decrease of approximately 18.20% in the corresponding period in 2004. The Directors consider that if there is any increase in competition from other manufacturers and/or an increase in the costs of production materials and components which cannot be passed on to our customers, the gross profit margin and net profit margin of our Group may be adversely affected.

RISK FACTORS

Seasonal fluctuations in turnover

Our turnover is subject to seasonal fluctuations during the year. For the three years ended 31st December, 2004, turnover for the first half of the year generally accounted for around 40% of the annual turnover on average while the turnover of the second half of the year generally accounted for around 60% of the annual turnover on average. The Directors believe that the lower turnover in the first half-year is mainly due to the seasonal fluctuation of the notebook computer industry. Accordingly, the Directors believe that our Group is exposed to the risks associated with seasonal factors and the fluctuations of the demand by the notebook computer industry which may adversely affect the profitability of our Group.

Supply of production materials

The production materials used by our Group principally include metal sheet, resin and paint. The purchases of these three principal production materials and components accounted for approximately 42.73%, 51.79%, 46.94%, 41.53% and 49.95% of our Group's total purchases of production materials for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005 respectively.

During the Track Record Period, our Group was granted discounts for the bulk purchase of production materials. Together with the improved efficiency in the use of production materials, the enhanced quality of production materials and the decrease in the return rate of sub-standard production materials according to their experience, the Directors believe that price increases in production materials did not materially affect the performance and profitability of the Group.

Although the Directors consider that our Group has not previously experienced any shortage in the supply of production materials, in our experience, the price of production materials and components generally fluctuate according to the purchaser's industry capacity and output level, the general cyclical changes in global and regional conditions, the oil price and global supply and demand. Should there be any increase in the price of any production materials and components and our Group is unable to pass on such increases to our customers, our financial performance may be adversely affected.

Inventory obsolescence

The rapid pace of technological changes has often led to inventory obsolescence. Our Group has to maintain a certain level of inventory of production materials to ensure a steady supply but which at the same time exposes us to the risk of stock obsolescence. For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, provision for slow moving inventories amounted to

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approximately HK\$1.7 million, HK\$4.5 million, HK\$17.7 million, HK\$3.6 million and HK\$9.9 million respectively, representing approximately 4.60%, 2.73%, 7.32%, 3.73% and 12.68% respectively of our net profit attributable to the equity holders of the Company. In the event that we fail to take appropriate measures to minimise the risk of stock obsolescence, our future results and profitability may be adversely affected.

Currency conversion and exchange rate risk

Our Group's foreign exchange risk arises mainly from the mismatch between the currency of our sales, purchases and operating expenses. During the Track Record Period, all of our sales were settled in US dollars and our purchases were mainly settled in US dollars, NT dollars or RMB. For the six months ended 30th June, 2005, all of our turnover was settled in US dollars and approximately 58.30%, 9.79% and 31.60% of our Group's purchases were settled in US dollars, NT dollars and RMB, respectively. During the Track Record Period, although none of our revenue was received in RMB, approximately 51.52% of our total production cost was settled in RMB. Any appreciation of RMB would increase the effective cost to our Group of satisfying our production cost in RMB. With the fast expansion of our business, our Group's exposure to foreign exchange risk has increased sharply. Accordingly our Group has entered into foreign exchange contracts to compensate against such possible exchange rate loss related to the fluctuations in the values of USD and RMB, which resulted in a significant increase in the foreign exchange contract commitments from approximately HK\$15.6 million as at 31st December, 2003 to approximately HK\$811.2 million as at 31st December, 2004 and to approximately HK\$1,372.8 million as at 30th June, 2005. The foreign exchange contracts of approximately HK\$1,372.8 million as at 30th June, 2005 included (i) the sale of USD and purchase of RMB for the period from July 2005 to May 2006 with an amount of HK\$686.4 million; and (ii) the sale of RMB and purchase of USD for the period from July 2005 to May 2006 with an amount of HK\$686.4 million. Such increase in our foreign exchange commitments was due to the increasing market speculation to the appreciation of RMB and our Group's procurement and other operational expenses are substantially settled in RMB.

Our Group's average monthly procurement and expenditure being settled in RMB was approximately US\$7.8 million in the year 2004. Our Group has entered into contracts for the purchase of and sale of the USD against the RMB simultaneously in order to minimise our Group's exchange rate exposure. As at the Latest Practicable Date, our Group's forward foreign exchange contracts include the purchase of USD and sale of RMB and sale of USD and purchase of RMB at the same time with different contract prices. The contracts for the sale of USD and purchase of RMB for the period from July 2005 to May 2006 will mature in equal monthly amounts of US\$8 million (equivalent to approximately HK\$62.4 million). Similarly, the contracts for purchase of USD and sale of RMB for the period from July 2005 to May 2006 will mature in equal monthly amounts of US\$8 million (equivalent to approximately HK\$62.4 million).

RISK FACTORS

The Directors expect that our Group will record exchange gain from the existing forward foreign exchange contracts if RMB appreciates in value. Any exchange loss from our operations in the PRC can then be partially compensated by such gain. If RMB depreciates in value, our Group will record a loss from the forward foreign exchange contracts but we will be partially compensated by any exchange rate gains from its operation in the PRC.

For the year ended 31st December, 2004, our Group recorded net exchange losses of approximately HK\$5.3 million which included an unrealised gain from outstanding forward foreign exchange contracts of approximately HK\$4.1 million. For the six months ended 30th June, 2005 and the eight months ended 31st August, 2005, our Group recorded (i) net exchange gains of approximately HK\$11.4 million which included an unrealised gain from outstanding forward foreign exchange contracts of approximately HK\$7.9 million; and (ii) net exchange gains of approximately HK\$20.7 million which included an unrealised gain from outstanding forward foreign exchange contracts of approximately HK\$7.9 million respectively. As at 31st August, 2005, the outstanding forward foreign exchange contracts was approximately HK\$1,123.2 million, including contract amounts of approximately HK\$561.6 million for purchases of USD and sales of RMB and amounts of approximately HK\$561.6 million for sales of USD and purchases of RMB. Our Group's forward exchange contracts do not qualify for hedge accounting in accordance with Hong Kong Accounting Standards and are accounted for as trading instruments. As such, any unrealised gain or loss, being changes in fair value of the derivatives, are recognised immediately in the profit and loss account. The entering of the forward foreign exchange contracts were decided by the management of our Group during the Track Record Period. Our Group has not sought advice from qualified investment advisers for entering such forward exchange contracts during the Track Record Period. However, there is no assurance the exchange gain from the existing forward foreign exchange contracts can fully and effectively mitigate the increase in purchases and operating expenses as a result of an appreciation of RMB. Any significant fluctuation of the USD against the RMB and NT dollars may have an adverse effect on our results of operations.

The Hong Kong Monetary Authority has recently announced a broader range in which it will permit the HK dollar to trade. It has set an upper limit for the HK dollar at a level of HK\$7.75 to US\$1.00 and has indicated that it will gradually ease the lower limit for the HK dollar to a level of HK\$7.85 to US\$1.00. It has also indicated its intention to maintain the HK dollar within this range. However, there is no assurance that the range will not be altered. As of 21st July, 2005, RMB will no longer be pegged to the USD but to a basket of currencies. On 21st July, 2005, this revaluation resulted in the RMB appreciating against the USD and HK dollar by approximately 2%. Should there be significant changes in the exchange rates of USD against HK dollar and/or RMB, our financial condition and results of operations may be adversely affected.

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Credit risk

Our Group's sales were mainly made on an open account basis with credit periods ranging from 90 days to 120 days. We did not have any cash sales during the Track Record Period. For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2005, trade receivables of the Group amounted to approximately HK\$121 million, HK\$339 million, HK\$748 million and HK\$756 million respectively, representing approximately 51%, 38%, 48% and 69% of the Group's total turnover respectively. The Directors consider that a long credit period inevitably increases the potential credit risk of our Group. There is no assurance that all customers will settle the amounts due to us on time. Our performance and profitability may be adversely affected if a significant number of our customers fail to settle the amounts due to us on time.

Potential legal defect in certain tenancy agreements

Our Group has leased various properties in the PRC, details of which are set out under property items 10 to 15 in Group III in the letter, summary of values and valuation certificate as set out in Appendix V to this prospectus. As advised by our PRC legal advisers, since the relevant tenancy agreements for these leased properties in the PRC have not been registered (and, in respect of property item 11, may not have been registered) with the relevant PRC government authorities, the tenancy agreements cannot be enforceable against third parties and therefore third party having the requisite authority may have the right to evict our Group from the relevant leased properties. In addition, in respect of the staff quarters referred to under property item 11 in Group III in the letter, summary of values and valuation certificate as set out in Appendix V to this prospectus, since the ownership of the lessor of the relevant leased property and the registration of the tenancy agreement cannot be ascertained, our Group's rights under such tenancy agreement in respect of the relevant leased property may not be legally protected under the relevant the PRC laws.

Furthermore, as advised by our PRC legal advisers, since documents evidencing the construction or use of the ancillary facilities (comprising canteen, boiler room and toilets) referred to under property item 12 in Group III in the letter, summary of values and valuation certificate as set out in Appendix V to this prospectus have not been provided to the Group, if the relevant planning approval requirements in respect of the ancillary facilities had not been complied with, the construction and use of these ancillary facilities by the Group may not be legally protected under the relevant PRC law. The relevant PRC building planning administration authority might demand for the demolition of these ancillary facilities and might impose a penalty for a sum ranging from approximately RMB187,000 to approximately RMB937,000, being 20% and 100% of the construction cost of these ancillary facilities, respectively.

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Our Group has also leased various properties in Taiwan, details of which are set out under property items 16 to 24 in Group IV in the letter, summary of values and valuation certificate as set out in Appendix V to this prospectus. As advised by our Taiwan legal advisers, since the relevant property ownership documents or other relevant documents evidencing that the ownership and right to lease of the relevant lessors of, and that for the permitted usage of, the leased properties in Taiwan as set out under property items 21 to 24 in the letter, summary of values and valuation certificate as set out in Appendix V to this prospectus have not been provided to our Group, if the lessors of the relevant leased properties were not the owners thereof or otherwise did not have the requisite rights to lease the relevant leased properties, third party having the requisite authority might have the right to evict our Group from the relevant leased properties. Our Group may not be able to continue to use these leased properties for the current purposes if these purposes were adjudicated to be in contravention of the respective permitted usages of the relevant leased properties, and may be subject to penalty ranging from NT\$60,000 to NT\$300,000 for each of such contravention.

The above leased property items 10 to 24 are mostly used by the Group as staff quarters, administrative office, warehouse or car parking only except property item 13 as set out in the letter, summary of values and valuation certificate as set out in Appendix V to this prospectus which is the leased industrial building and ancillary facilities used by Ju Teng Electronics for manufacturing purpose. The Directors consider that similar properties of comparable conditions are available in the proximity thereto. As regards the said leased industrial building and ancillary facilities, the existing production plants of Everyday Computer, Suzhou Dazhi and Ju Teng Electronics can take up the production capacity undertaken by the industrial building and ancillary facilities. Therefore, the Directors do not consider such property to be crucial to the business operations and development of our Group. Nevertheless, in the event that our Group is evicted from any of the above leased properties or otherwise cannot continue to use these leased properties for the current purposes for any of the above reasons, our Group would have to incur additional costs and expenses including relocation costs and maximum potential liabilities for penalty of approximately HK\$971,000 imposed and therefore the financial position of our Group may be affected. With respect to the aforementioned, Southern Asia, Extrawell, Mr. Cheng Li-Yu, Mr. Cheng Li-Yen and Mr. Horng Tsai-Chin have given indemnities to our Group in relation to the potential liabilities for the above leased properties.

Business concentration

We focus on the manufacture of casing for notebook computers. Sales of notebook computer casings contributed from about 96% to 98% of our Group's total turnover for the Track Record Period. Our turnover may therefore be adversely affected by changes in the demand of notebook computer casing due to changes in industry demand and/or expected increase in competition.

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Reliance on connected persons and potential competing business of the associates of the controlling Shareholder and/or Directors

Our Group had a certain extent of reliance on the research and development and technical support from San Li, Sunrise and Ta Yu Metallic, being our connected persons under the Listing Rules, owned or controlled by three of our Directors, namely Mr. Cheng Li-Yu, Mr. Cheng Li-Yen and Mr. Horng Tsai-Chin respectively, during the Track Record Period. The Directors expect that, as one of the alternatives available to our Group in the development of new products, our Group may continue to engage these connected persons for future research and development projects and/or technical support after the Listing. If our Group fails to obtain such technical support from San Li, Sunrise, Ta Yu Metallic or other providers in the future, our Group's capability for research and development of new products and our Group's profitability may be adversely affected.

Since San Li, Sunrise and Ta Yu Metallic are respectively engaged in a business similar to a certain aspect of our Group's business, each of Mr. Cheng Li-Yu, Mr. Cheng Li-Yen, Mr. Horng Tsai-Chin, San Li, Sunrise and Ta Yu Metallic has given irrevocable non-compete undertakings in our favour to the effect that none of Mr. Cheng Li-Yu, Mr. Cheng Li-Yen, Mr. Horng Tsai-Chin, San Li, Sunrise and Ta Yu Metallic and their respective associates will engage in or otherwise be interested in any business which may compete with the business currently and from time to time engaged in by our Group in the PRC. The particulars of their undertakings are set forth under the sub-paragraph headed "Non-compete undertakings" in the paragraph headed "Potential competing business of our controlling Shareholder, our Directors and their respective associates" in the section headed "Business" in this prospectus. Nevertheless, in the event that any of them breaches their obligations under these undertakings to the effect that any of them and/or their associates engage in businesses which compete or may potentially compete with our Group's business, our Group's profitability may be adversely affected. Our Group may also thereby suffer costs and diversion of our resources in the course of any legal proceedings in enforcing these non-compete undertakings.

Payment of dividends

Everyday Computer, a member of our Group, had declared and paid an intra-Group dividend of approximately HK\$7 million, HK\$117 million, HK\$86 million, nil and nil respectively for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005 respectively. Save as disclosed herein, no other dividend was declared by any member of our Group since the commencement of the Track Record Period. The dividend distribution record during the Track Record Period may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

RISK FACTORS

The declaration of future dividends will be subject to the discretion of the Directors and will depend on, among other things, our future earnings, financial condition, cash requirements and availability, and other factors as the Directors may deem relevant from time to time. Accordingly, potential investors should note that the financial information of our Group set out in this prospectus should not be regarded as an indication of future payment of dividends.

We are a holding company and rely on dividends and other distribution on equity paid to us by our subsidiaries. Under the relevant PRC laws, our subsidiaries in the PRC may only declare and pay dividends out of their net income, which is determined based on their retained profits calculated in accordance with the generally accepted accounting principles in the PRC ("PRC GAAP") and financial regulations in the PRC, which may differ in certain material respects from the generally accepted accounting principles of Hong Kong. In addition, under the PRC laws and regulations governing wholly foreign-owned enterprises established in the PRC, our subsidiaries in the PRC are required to set aside a certain portion of their net income after tax each year to the statutory reserve funds and employees welfare funds, which are not distributable as dividends. Any limitation on the declaration and/or payment of dividends by our subsidiaries in the PRC, whether by virtue of the determination of distributable profits under the PRC GAAP or other appropriation therefrom pursuant to any applicable PRC laws and regulations, would adversely affect our ability to pay dividends to the Shareholders.

Another possible outbreak of SARS or other serious contagious diseases

The outbreak of Severe Acute Respiratory Syndrome ("SARS") in early 2003 substantially affected businesses in Asia. Currently, we are unable to forecast the potential impact of another possible SARS outbreak or an outbreak of any other serious contagious disease. Should another outbreak of SARS or any other serious contagious disease take place, our operations may be adversely affected. In addition, as most of our major customers have manufacturing facilities in the PRC, any outbreak of SARS or any other serious contagious disease in the PRC would also have an adverse impact on their operations which may in turn affect our performance.

Political risks associated with doing business in Taiwan

Although most of our products are sold and delivered in the PRC, a substantial number of our customers' headquarters are located in Taiwan. Also, a portion of our production materials are sourced from Taiwan. The businesses of our customers and suppliers and consequently, ours, may be affected by the political, economic and legal conditions in Taiwan. Any changes in Taiwan government policies, taxation, inflation or interest rates and any political, diplomatic and social developments in or affecting Taiwan may affect our customers or our suppliers which may, in turn, affect our business.

RISK FACTORS

Potential impact on power supply shortage

Most of our production process are semi-automated and therefore rely on an adequate and stable supply of electricity. A power surge or outage could disrupt or even result in the halt of our production process and thereby adversely affecting our manufacturing yield. As our production facilities expand, our production capacity increases and our business grows, our demand for adequate and stable electricity supply will also increase. Therefore, as our Group's business continues to grow, in the event that electricity supplies does not improve correspondingly, the current supply of electricity may not be sufficient to support our Group's growth. We may need to limit or delay our production if we face any suspension or shortage of electricity supply which would have an adverse impact on our Group's profitability. As a measure to reduce the potential effects of a power supply shortage, we have installed power generators to secure our own supply of electricity in the event of power shortage. However, such power generators can only provide limited supply of electricity. Any shortage of electricity will cause disruption to our Group's production.

Adverse effect associated with the Pre-IPO Share Option Scheme, the Share Option Scheme and the Share Award Plan

Issuance of Shares for the purpose of satisfying any award made under the Share Award Plan and/or pursuant to the exercise of the options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme will cause dilution to the earnings per Share and net asset value per Share because of the increase in the number of Shares in issue after the issuance.

Furthermore, according to the HKFRS 2 "Share-based Payment", when new Shares are allotted and issued at par to the Share Award Plan Trustee for the purpose of satisfying any award made under the Share Award Plan, the fair value of the new Shares allotted and issued is determined at the issue date, the amount being the fair value of the new Shares will be charged to our Group's profit and loss account equally over the vesting period, if any, and an increase in shareholders' equity is recorded in an amount equal to the amount charged to our Group's profit and loss account.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY

Competition

We are principally engaged in the manufacture and sales of notebook computer casing, LCD PC casing, digital camera casing and game console casing in the PRC. The Directors believe that entry barriers to our business are very low in the PRC as licensing requirements for conducting such business are minimal. The Directors are of the opinion that small to medium size enterprises may also have the capability to undertake business similar to that of our Group and that there are numerous manufacturers in the PRC which have such capability. Any increase in competition may erode our market share, lead to product price reduction and have an adverse effect on our profitability. However, our Directors consider that our Group's capability in the provision of "one-stop" service in casing manufacturing and our large scale of production will be the key factors to maintain our Group's competitiveness in the market.

Performance of industries in which our products are used

Our products are mainly used in the notebook computer, LCD PC, digital camera and game console industries. Market demand for these end products may fluctuate. Any downturn in any of these end product industries could adversely affect our profitability.

Environmental liability exposure

The current environmental protection laws and regulations promulgated by the PRC government impose various measures to control waste disposal and pollution, including the adoption of a gradual scale of fees for discharge of waste materials, payment of fines for pollution and regulations for the mandatory closure of any facilities which causes serious environmental problems.

Our Group has not received any notice or warning in relation to pollution in respect of our production plants or facilities as at the Latest Practicable Date. However, there is no assurance that the PRC national or local authorities will not impose additional environmental protection requirements which might disrupt our Group's manufacturing process or require our Group to incur additional expenditure in complying with such additional requirements.

RISKS RELATING TO THE PRC

Economic, political, legal and social conditions

As all of our Group's production is carried out in the PRC, our Group's operations may be affected by the general economic, political and social conditions prevailing in the PRC.

RISK FACTORS

The PRC economy is a planned economy operating under annual, five and ten years' plans. The PRC government has introduced substantial economic reforms in the past 20 years. However, many of the reforms are unprecedented or experimental and are expected to be refined or to be changed and many laws and regulations governing economic activities implemented by the PRC government are at an early stage of development and their interpretation and enforcement are subject to uncertainties. There can be no assurance that changes in the PRC laws and regulations or the interpretation thereof will not have any adverse effect upon the business and prospects of our Group. In addition, any changes in the economic, political or social conditions prevailing in the PRC may lead to changes in the PRC government's policies that may affect the business and prospects of our Group.

Government control of currency conversion

Although our turnover during the Track Record Period was all received in US dollars, the expansion of our Group's market in the PRC may further expose our business to the currency risk of RMB. RMB is currently not freely convertible into foreign currencies.

Since 1996, a number of rules, regulations and notices regarding foreign exchange control have been issued by the PRC government which are designed to allow a degree of convertibility of RMB, under which foreign investment enterprises are permitted to convert RMB into foreign currencies for current account transactions (including, for example, distribution of profits and payment of dividends to foreign investors) through designated foreign exchange banks by complying with various procedural requirements. Control over conversion of RMB into foreign currencies for capital account transactions (including, for example, direct investment, loan and investment in securities), however, is more stringent and such conversion is subject to a number of restrictions. The PRC government may, however, at its discretion, restrict access in the future to foreign currencies for current account transactions and prohibit us from converting our RMB sales into foreign currencies.

The value of RMB against other foreign currencies is subject to changes in the PRC's policies and international economic and political developments. Under the current unified floating exchange rate system, the conversion of RMB into foreign currencies, including HK dollars and USD, has been based on rates set by the People's Bank of China, which are quoted daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. Since 1994, the official exchange rates for the conversion of RMB into HK dollars and USD generally have been stable. As of 21st July, 2005, RMB will no longer be pegged to the USD but to a basket of currencies. On 21st July, 2005, this revaluation resulted in the RMB appreciating against the USD and the HK dollar by approximately 2%. Should there be significant changes in the exchange rates of USD against HK dollars or RMB, our operating cost, financial condition and results of operations may be adversely affected.

RISK FACTORS

The PRC legal system

As the PRC legal system develops, the promulgation of new laws, changes of the existing laws and the pre-emption of local regulations by national laws may all affect foreign investment. Foreign parties may now resolve disputes through arbitration or litigation. An arrangement concerning the mutual enforcement of arbitral awards between the PRC and Hong Kong was reached in June 1999. This arrangement allows reciprocal enforcement of arbitration awards made in the PRC and Hong Kong. In particular, the Supreme People's Court in the PRC will enforce awards made in Hong Kong pursuant to the Arbitration Ordinance (Chapter 341 of the Laws of Hong Kong).

However, there can be no assurance that the PRC government will not change its policy in relation to the enforcement of arbitration awards obtained in Hong Kong or the PRC or otherwise in relation to foreign investment in the PRC. In such circumstances, the Group's interest, in particular the enforcement of Hong Kong arbitral awards in the PRC may be adversely affected.

OTHER RISKS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risk and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures to implement such strategies;
- our capital expenditure plans;
- our operations and business prospects, including development plans for our existing and new businesses and products; and
- our future developments and the competitive environment in production of casings for notebook computer, LCD PC, LCD TV, digital camera and game console.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would”, and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (subsidiary legislation V of Chapter 571 of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading. All opinions expressed in this prospectus have been arrived at after due and careful consideration and are formed on bases and assumptions that are fair and reasonable.

FULLY UNDERWRITTEN

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein or therein must not be relied upon as having been authorised by the Company, the Sponsors, the Joint Bookrunners, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

The Share Offer comprises the Hong Kong Public Offer and the International Placing. The Hong Kong Public Offer is an offer by the Company of 26,000,000 Hong Kong Public Offer Shares to the public in Hong Kong at the Offer Price. Applicants for the Hong Kong Public Offer Shares are required to pay the maximum Offer Price of HK\$1.57 in full on application. The International Placing is a placing by the International Placing Underwriters, acting as agent for the Company, of an aggregate of 234,000,000 International Placing Shares to professional and institutional investors in Hong Kong, Singapore, Europe and elsewhere under the International Placing at the Offer Price. The number of Shares offered for subscription under the International Placing and the Hong Kong Public Offer will be subject to re-allocation and, in respect of the International Placing, the Over-allotment Option. This prospectus and the Application Forms set out the terms and conditions of the Share Offer. Details of the structure of the Share Offer are described in the section headed "Structure of the Share Offer" in this prospectus. The Share Offer is sponsored by SinoPac Securities and Access Capital as Sponsors. The Hong Kong Public Offer is fully underwritten by the Hong Kong Public Offer Underwriters pursuant to the Hong Kong Public Offer Underwriting Agreement. The International Placing is managed by the Joint Bookrunners and is expected to be fully underwritten by the International Placing Underwriters. The International Placing Underwriting Agreement is expected to be entered into on 29th October, 2005 (or such later date as may be agreed between the Company and the Joint Bookrunners (for themselves and on behalf of the International Placing Underwriters) but in any event not later than 1st November, 2005), subject to the entering of the Price Determination

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Agreement between the Company and the Global Coordinator, on behalf of the Underwriters. If, for any reason, the Offer Price is not agreed between the Company and the Global Coordinator (on behalf of the Underwriters) by 6:00 p.m. on 29th October, 2005 (or such later date as may be agreed between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) but in any event not later than 1st November, 2005), the Share Offer will not proceed. In such event, the Company will issue an announcement. For information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" of this prospectus.

SELLING RESTRICTIONS

No action has been taken in any jurisdiction other than Hong Kong to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms. Accordingly, this prospectus and the Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such offer or invitation.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restriction on offers of the Offer Shares described in this prospectus and the Application Forms and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

The following information is provided for guidance only. Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Countries in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a "**Relevant Member State**") with effect from and including the date on which the Prospectus Directive was implemented in that Relevant Member State (the "**Relevant Implementation Date**"), there may not have been made and may not be made an offer of Offer Shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that there may, with effect from and including the Relevant Implementation Date, be made an offer of Offer Shares in that Relevant Member State

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

at any time in the circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive, including an offer to qualified investors.

Qualified investors are, but not limited to:

- (a) legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000 as shown in its last annual or consolidated accounts; or
- (c) any persons which meet certain criteria and who are registered as natural persons wishing to be considered as a qualified investor.

For the purposes of this provision, the expression an “offer of shares to the public” in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Share Offer and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe the Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

France

This prospectus is not being distributed in the context of a public offer in France within the meaning of Article L. 411-1 of the French Monetary and Financial Code (*Code monétaire et financier*), and thus this prospectus has not been and will not be submitted to the clearance procedures of the Autorité des marchés financiers.

The Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, to the public in the Republic of France. Offers and sales have been and will be made in the Republic of France only to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), provided that such investors are acting for their own account and/or to persons providing portfolio management financial services (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), all as defined and in accordance with Article L.411-2, D.411-1 and D.411-2 of the French Code *monétaire et financier*.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The prospectus or any other offering material relating to the offer of the Offer Shares has not been distributed or caused to be distributed and will not be distributed or caused to be distributed in the Republic of France, except to those investors to whom offers and sales of the Offer Shares may be made as described above.

Germany

This prospectus is not a securities prospectus (Wertpapierprospekt) within the meaning of the German Securities Prospectus Act of 22 June 2005 (the "Prospectus Act") (Wertpapierprospektgesetz) and has not been filed with or approved by the German Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) or any other competent German authority under any other laws applicable in Germany governing the issues, sale and offering of securities. The Offer Shares may not be offered or sold and copies of this prospectus or any document relating to the Offer Shares may not be distributed directly or indirectly in Germany except to persons falling within the scope of Section 3 § 2 No's 1 and 2 of the Prospectus Act. Any resale of the offer shares in Germany may only be made in accordance with the provisions of the Prospectus Act and any other laws applicable in Germany governing the sale and offering of securities.

Ireland

This document does not constitute a prospectus within the meaning of Part 5 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2005. No offer of the Offer Shares to the public is made, or will be made, that requires the publication of a prospectus pursuant to Irish prospectus law (within the meaning of Part 5 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2005) in general, or in particular pursuant to the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland.

Italy

The offering of the Offer Shares has not been registered pursuant to the Italian securities legislation and, accordingly, the Offer Shares will not be offered or sold in Italy in a solicitation to the public. The Offer Shares may not be offered, sold or delivered, and copies of this prospectus or any other document relating to the Offer Shares may not be distributed in Italy except to Professional Investors, as defined by the *Commissione Nazionale per le Società e la Borsa* ("CONSOB"), the stock market regulator in Italy, in Art. 31.2 of CONSOB Regulation no. 11522 of 1st July, 1998, as amended, pursuant to Art. 30.2 and Art. 100 of Legislative Decree no. 58 of 24th February, 1998 (the "Finance Law") or in any other circumstance where an express exemption from compliance with the solicitation restrictions is provided by the Finance Law or CONSOB Regulation no. 11971 of 14th May, 1999, as amended (the "Issuers Regulation") applies, including those provided for under Art. 100 of the Finance Law and Art. 33 of the Issuers Regulation, and provided, however, that any such offer, sale, or delivery of the

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Offer Shares or distribution of copies of this prospectus or any other documents relating to the Offer Shares in Italy must (i) be made in accordance with all applicable Italian laws and regulations, (ii) be conducted in accordance with any relevant limitations or procedural requirements the Bank of Italy or CONSOB may impose upon the offer or sale of the Offer Shares, and (iii) be made only by Italian and/or foreign banks, investment firms or financial companies enrolled in the special register provided for in Article 107 of Legislative Decree No. 385 of 1st September, 1993, as amended (the "Banking Law"), to the extent duly authorised to engage in the placement and/or underwriting of financial instruments in Italy in accordance with the Finance Law and, as the case may be, Banking Law and the relevant implementing regulations, in each case acting in compliance with all applicable laws and regulations.

United Kingdom

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue or sale of any Offer Shares except in circumstances in which section 21(1) of the FSMA does not apply to us.

Prospective applicants must comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the Offer Shares in, from or otherwise involving the United Kingdom.

Areas/countries not in the European Economic Area

Bermuda

No offer of Offer Shares may be made to any resident of Bermuda for exchange control purposes to subscribe for or purchase any of the Offer Shares.

Cayman Islands

No invitation may be made directly or indirectly by or on behalf of our Company to the public in the Cayman Islands to subscribe for or to acquire any of the Offer Shares.

Hong Kong

This prospectus has been registered with the Registrar of Companies in Hong Kong. Accordingly, this prospectus may be issued, circulated or distributed in Hong Kong, and the Offer Shares under the Share Offer may be offered for subscription to members of the public in Hong Kong. In addition, advertisements may be made offering or calling attention to an offer or intended offer of the Offer Shares to the public in Hong Kong.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

PRC

This prospectus does not constitute a public offer of the Offer Shares, whether by way of sale or subscription, in the PRC. The Offer Shares are not being offered or sold and may not be offered or sold directly or indirectly in the PRC or to or for the benefit of, legal or natural persons of the PRC.

Singapore

This prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “Singapore Securities and Futures Act”), (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the Singapore Securities and Futures Act or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Singapore Securities and Futures Act.

Switzerland

The Offer Shares will not be offered or sold, directly or indirectly, to the public in Switzerland and this prospectus does not constitute a public offering prospectus as that term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations. The Company has not applied for a listing of the Offer Shares being offered pursuant to this prospectus on the SWX Swiss Exchange or on any other regulated securities market in Switzerland and, consequently, the information presented in this prospectus does not necessarily comply with the information standards set out in the relevant listing rules. The Company and the Offer Shares being offered pursuant to this prospectus have not been registered with the Swiss Federal Banking Commission under the Swiss Investment Fund Act of 18th March, 1994 as foreign investment funds, and the investor protection afforded to acquirers of investment fund certificates by the Swiss Investment Fund Act does not extend to acquirers of Offer Shares.

Taiwan

The Offer Shares have not been and will not be registered with the Securities and Futures Commission of Taiwan and are not being offered for subscription or sold and may not be offered for subscription or sold, directly or indirectly, to the public in Taiwan.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act, or under the securities laws of any state of the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares are being offered and sold outside the United States to non-US persons in reliance on Regulation S under the U.S. Securities Act.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by agreement between the Company and the Global Coordinator (on behalf of the Underwriters) at or prior to 6:00 p.m. on 29th October, 2005 (or such later date as may be agreed between the Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) but in any event not later than 1st November, 2005). If the Company and the Global Coordinator (on behalf of the Underwriters) are unable to reach agreement by such time, the Share Offer will not proceed. In such event, the Company will issue an announcement.

APPLICATION FOR LISTING ON THE MAIN BOARD

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein including, the Offer Shares and any Shares which may fall to be allotted and issued pursuant to (a) the exercise of the Over-allotment Option; (b) the Capitalisation Issue; (c) the exercise of options which may be granted under the Share Option Scheme, representing 10% of the Shares in issue on the Listing Date; and (d) the exercise of options granted under the Pre-IPO Share Option Scheme, on the Main Board.

No part of our Company's share or loan capital is listed or dealt in on the Stock Exchange or any other stock exchange. At present, other than the said application of the listing of, and permission to deal in the Shares on the Main Board, we are not seeking or proposing to seek the listing of, or permission to deal in, any of our Group's share or loan capital, on GEM or any other stock exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors are recommended to consult your professional advisers if you are unsure about the taxation implications of subscribing for, or purchasing, holding or disposing of, dealings in or exercising of any rights in relation to the Offer Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

None of our Company, the Directors, the Sponsors, the Joint Bookrunners, the Underwriters, any of their respective directors, agents or advisers and any other persons or parties involved in the Share Offer accept any responsibility for any tax effects on, or liability of, any person resulting from subscribing for, or purchasing, holding or disposing of, dealings in or exercising of any rights in relation to the Offer Shares.

HONG KONG BRANCH SHARE REGISTER, STAMP DUTY AND ESTATE DUTY

All Shares issued and to be issued as mentioned in this prospectus will be registered on our Hong Kong branch register of members maintained by Tricor Investor Services Limited, our branch share registrar and transfer agent in Hong Kong. Only Shares registered on the Company's branch register of members maintained in Hong Kong may be traded on the Main Board.

The sale, purchase, transfer of and dealings in the Shares registered on our branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

The Shares registered on our branch register of members maintained in Hong Kong constitute Hong Kong property for estate duty purpose under Hong Kong laws. Hong Kong estate duty may be payable upon the passing of any interests in the Shares registered on the Hong Kong branch register of members of the Company upon the death of a person, whether or not a Hong Kong resident.

PROCEDURE FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The procedure for applying for Hong Kong Public Offer Shares is set out in the section headed "How to apply for the Hong Kong Public Offer Shares" of this prospectus and on the Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions and grounds for termination, are set out in the section headed "Structure of the Share Offer" of this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Main Board and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Shares on the Main Board or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in our Shares on the Main Board are expected to commence on 3rd November, 2005. Shares will be traded in board lots of 2,000 Shares.

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Cheng Li-Yu	5th Floor, No. 157-1, Sec. 1 Xinsheng South Road Da-an District Taipei City 106 Taiwan	Taiwanese
Mr. Cheng Li-Yen	13th Floor, No. 12 Guizi Road Taishan Shiang Taipei County 243 Taiwan	Taiwanese
Mr. Huang Kuo-Kuang	Flat C, 29th Floor Tower 11, Metrocity Phase 2 Tseung Kwan O New Territories Hong Kong	Taiwanese
Mr. Tsui Yung Kwok	Flat D, 40th Floor Block 11, Tierra Verde 33 Tsing King Road Tsing Yi New Territories Hong Kong	Chinese
<i>Non-executive Director</i>		
Mr. Horng Tsai-Chin	No. 47, Lane 88 Sec. 2, Kuang Fu Road San-Chung City Taipei County Taiwan	Taiwanese

DIRECTORS

Name	Address	Nationality
<i>Independent non-executive Directors</i>		
Mr. Yu Chwo-Ming	7th Floor, No. 11, Alley 61 Wan-Shou Road Taipei City Taiwan	Taiwanese
Mr. Tsai Wen-Yu	7th Floor, No. 4, 10 Alley 223 Lane, Sec. 4 Zhong Xiao East Road Taipei City Taiwan	Taiwanese
Mr. Lo Ching Pong	38C, Tower 3 1 Austin Road West The Waterfront Kowloon Hong Kong	American

PARTIES INVOLVED IN THE SHARE OFFER

Global Coordinator

SinoPac Securities (Asia) Limited

23rd Floor, Two International Finance Centre
No. 8 Finance Street
Hong Kong

Joint Bookrunners and Joint Lead Managers

SinoPac Securities (Asia) Limited

23rd Floor, Two International Finance Centre
No. 8 Finance Street
Hong Kong

Kingsway Financial Services Group Limited

5th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

Sponsors

SinoPac Securities (Asia) Limited

23rd Floor, Two International Finance Centre
No. 8 Finance Street
Hong Kong

Access Capital Limited

Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Hong Kong Public Offer Underwriters

SinoPac Securities (Asia) Limited

23rd Floor, Two International Finance Centre
No. 8 Finance Street
Hong Kong

Kingsway Financial Services Group Limited

5th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

PARTIES INVOLVED IN THE SHARE OFFER

Access Capital Limited

Suite 606, 6th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

BCOM Securities Company Limited

3rd Floor, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

CIMB-GK Securities (HK) Limited

25th Floor, Centre Tower
28 Queen's Road Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited

27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

KGI Capital Asia Limited

27th Floor, ICBC Tower
Citibank Plaza
3 Garden Road, Central
Hong Kong

Sun Hung Kai International Limited

Level 12, One Pacific Place
88 Queensway
Hong Kong

Tai Fook Securities Company Limited

25th Floor, New World Tower
16-18 Queen's Road Central
Hong Kong

PARTIES INVOLVED IN THE SHARE OFFER

International Placing Underwriters

SinoPac Securities (Asia) Limited

23rd Floor, Two International Finance Centre
No. 8 Finance Street
Hong Kong

Kingsway Financial Services Group Limited

5th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

Legal advisers to the Company

As to Hong Kong law

Chiu & Partners

41st Floor, Jardine House
1 Connaught Place
Central
Hong Kong

As to Cayman Islands law

Conyers Dill & Pearman

Century Yard
Cricket Square
Hutchins Drive
George Town
Grand Cayman
Cayman Islands
British West Indies

As to PRC law

Jingtian & Gongcheng

15th Floor, The Union Plaza
20 Chaoyangmenwai Dajie
Beijing 100020
The PRC

As to Taiwan law

Huang & Chiang

26th Floor, No. 37
Sec. 2, Sanmin Road
Banchiau City
Taipei County 220
Taiwan

PARTIES INVOLVED IN THE SHARE OFFER

**Legal advisers to the Sponsors
and the Underwriters**

As to Hong Kong law

Michael Li & Co

14th Floor, Printing House
6 Duddell Street
Central
Hong Kong

Lovells

23rd Floor, Cheung Kong Centre
2 Queen's Road
Central
Hong Kong

**Auditors, reporting accountants
and tax advisers**

Ernst & Young

Certified Public Accountants

18th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Property valuer

LCH (Asia-Pacific) Surveyors Limited

Chartered Surveyors

27th Floor, Li Dong Building
No. 9 Li Yuen Street East
Central
Hong Kong

Receiving bankers

**Standard Chartered Bank (Hong Kong)
Limited**

15th Floor, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

**Industrial and Commercial
Bank of China (Asia) Limited**

33rd Floor, ICBC Tower
3 Garden Road
Central
Hong Kong

CORPORATE INFORMATION

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 PRC	No. 2 Gua Jing Road Song Ling Town Economic Development District Wu Jiang City Jiang Su The PRC
Compliance adviser	SinoPac Securities (Asia) Limited 23rd Floor, Two International Finance Centre No. 8 Finance Street Hong Kong
Company secretary	Mr. Tsui Yung Kwok <i>CA, CPA</i>
Qualified accountant	Mr. Tsui Yung Kwok <i>CA, CPA</i>
Authorised representatives	Mr. Cheng Li-Yu 5th Floor, No. 157-1, Sec. 1 Xinsheng South Road Da-an District Taipei City 106 Taiwan Mr. Tsui Yung Kwok Flat D, 40th Floor, Block 11 Tierra Verde 33 Tsing King Road Tsing Yi New Territories Hong Kong

CORPORATE INFORMATION

**Authorised representative
to accept service of
process and notice
under Part XI
of the Companies
Ordinance**

Mr. Tsui Yung Kwok
Flat D, 40th Floor, Block 11
Tierra Verde
33 Tsing King Road
Tsing Yi
New Territories
Hong Kong

Audit committee

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

Principal bankers

The Agricultural Bank of China

No. 1 Luxiang South Road
Song Ling Town
Wu Jiang City
Jiangsu
The PRC

Bank of China

No. 2, Lu Xiang North Road
Song Ling Town
Wu Jiang City
Jiangsu
The PRC

Bank SinoPac

No. 9-1, Chien Kuo North Road
Section 2
Taipei
Taiwan

First Sino Bank

Ground Floor
New Shanghai International Tower
360 South Pudong Road
Shanghai
The PRC

Industrial and Commercial Bank of China

No. 32, Liu Hong Road
Wu Jiang City
Suzhou
Jiangsu
The PRC

CORPORATE INFORMATION

**The Shanghai Commercial &
Savings Bank Ltd.**

No. 2, Min Chuan East Road
Section 1
Taipei
Taiwan

**Principal share registrar and
transfer office**

**Butterfield Fund Services (Cayman)
Limited (formally known as
“Butterfield Bank (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

Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

INDUSTRY OVERVIEW

No independent verification has been carried out on the data obtained from official government publication set out in this section relating to the notebook computer industry. Reasonable care has been exercised by the Directors in extracting and reproducing of such information and statistics. In addition, the market and economic conditions in the PRC, Taiwan and other areas since the dates on which the relevant data were recorded may have changed significantly.

NOTEBOOK COMPUTER CASING MARKET

The manufacture of notebook computer casing can be divided into two major streams: (i) metal stamping (including magnesium, aluminium and titanium); and (ii) plastic injection moulding.

Plastic continues to remain a key production material being used for the manufacture of notebook computer casings while magnesium is the preferred material among various kinds of metal for the manufacture of casings. Our experience and facilities, however, allow us to capture the business opportunities available in both markets.

With Taiwan-based notebook computers manufacturers shifting their production bases to the PRC, the entire notebook computer supply chain is expected to follow a similar strategy. Notebook computer casing manufacturing involves a considerable amount of labour. As a result, notebook computer casing manufacturers in the PRC are able to take advantage of the PRC's labour cost structure.

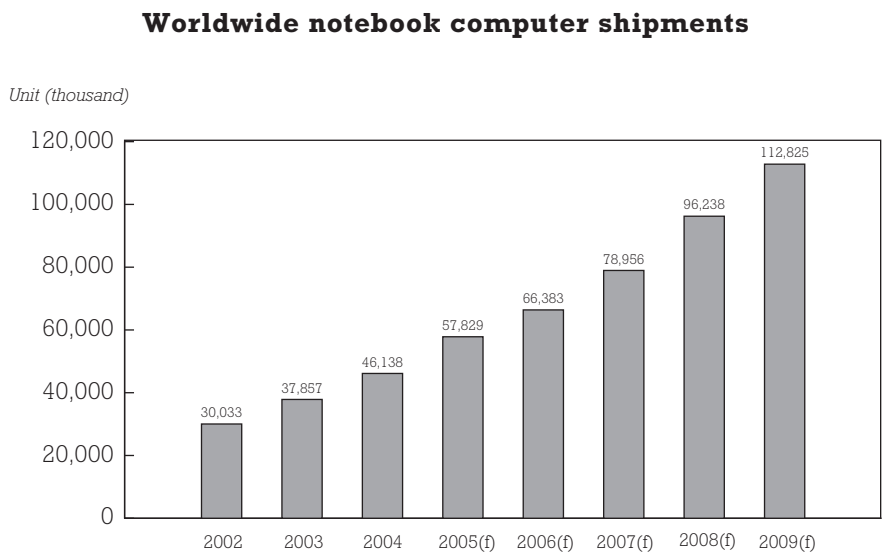
TYPES OF PRODUCTS

Our major products include casings for notebook computers, LCD PCs, digital cameras and game consoles. Since our products are part only of the ultimate consumer products, the demand trend for our products will depend, in part, on the consumer demand for notebook computers, LCD PCs, digital cameras and game consoles. In particular, sales of notebook computer casings contributed from about 96% to about 98% of our Group's turnover during the Track Record Period. In light of the foregoing and the fact that our products are integral and indispensable components of each notebook computer, the Directors consider that an increase in the demand for notebook computers will also increase the demand for notebook computer casings and as such, our opportunities to participate in the sale of notebook computer casings in the notebook computer industry will also increase. The notebook computer market analysis below therefore provides information regarding the demand for notebook computer casings and the potential growth of the notebook computer casings industry.

INDUSTRY OVERVIEW

THE AGGREGATE OUTPUT OF NOTEBOOK COMPUTERS IN THE WORLD AND THE GREATER CHINA REGION

Chart 1

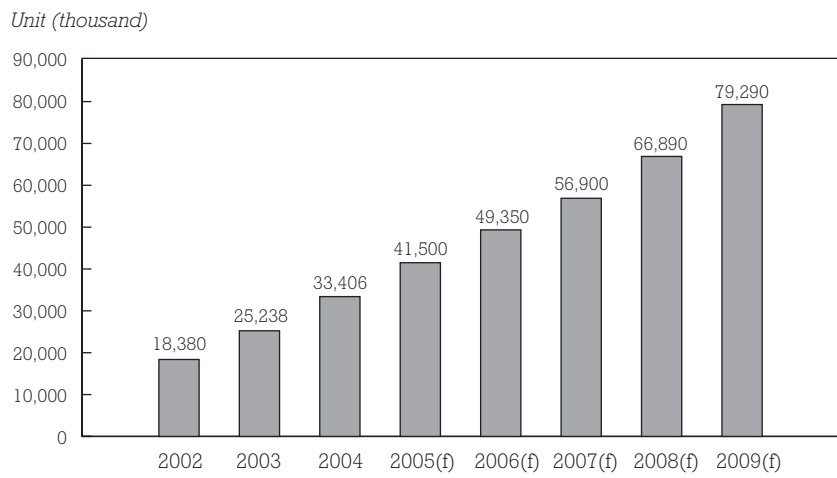


Source: Taiwan Market Intelligence Centre (August 2005)

Note: (f) represents forecast

Chart 2

Total output of notebook computers from the Greater China region



Source: Taiwan Market Intelligence Center (CDOC20050204023, February 2005 and CDOC20040907006, September 2004)

Note: (f) represents forecast

INDUSTRY OVERVIEW

As illustrated above, according to information published by the Taiwan Market Intelligence Center ("MIC"), the total output of notebook computers from the Greater China region is estimated to reach approximately 79.3 million units by 2009, representing an estimated increase of approximately 137.4% and an estimated CAGR of approximately 18.9% from 2004 to 2009. The worldwide output of notebook computers on the other hand, is estimated to reach approximately 112.8 million units by 2009, representing an increase of approximately 144.5% and a CAGR of approximately 19.6% from 2004 to 2009 according to the MIC. Based on the above statistics set out in Chart 1 and Chart 2, the total output of notebook computers from the Greater China region is estimated to constitute approximately 71.8%, 74.3%, 72.1%, 69.5% and 70.3% of the total worldwide output of notebook computers for each of the five years ending 31st December, 2009.

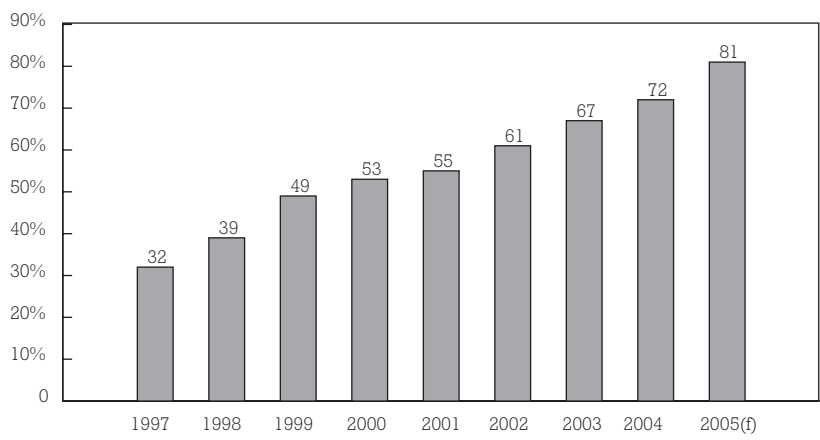
Our Directors consider that the major reason for the growth in output is due to the trend of replacing desktop computers by notebook computers. As the memory capacity and capabilities of notebook computers are rapidly evolving, approaching and sometimes matching the power of desktop computers, some users have replaced their desktop computer with a notebook computer connected to an external keyboard and monitor, allowing them to enjoy a degree of mobility without the inconvenience of having to transfer information from a desktop computer.

TAIWANESE MANUFACTURERS IN THE NOTEBOOK COMPUTER INDUSTRY

According to a report published by the MIC in August 2005, the production of notebook computers by Taiwanese manufacturers accounted for over 50% of the world's market share of notebook computers in 2001 and further reached approximately 72% of the world's market share of notebook computers in 2004 in terms of units shipped. Further, with the increase in commissioned production from Japan's notebook computer manufacturers, Taiwanese notebook computer manufacturers is expected to account for approximately 81% of the world's market share in 2005, which effectively consolidates their position as the global leader in the production of notebook computers. As our Group's customers are major Taiwanese notebook computer manufacturers, the Directors believe that the domination of Taiwanese manufacturers in the notebook computer market worldwide may have an impact on the demand of our Group's products.

Chart 3

Worldwide market share of Taiwanese notebook manufacturers



Source: MIC, December 2000 and MIC, August 2005

LOCALISATION OF PRODUCTION BASES TO THE PRC

According to a report published by the MIC in February 2005, in order to take advantage of competitive labour and production cost, availability of manpower and industrial land which the PRC can offer, many Taiwan notebook computer manufacturers and notebook computer component manufacturers, including our Group, have shifted their production bases from Taiwan to the PRC over the recent years. Further, the total output of notebook computers from the PRC increased from approximately 50% of total output from the Greater China region for 4th quarter in 2002 to approximately 82% in the 4th quarter in 2004, representing a substantial increase of approximately 30% from 2002 to 2004. Taking into account the trend for the increasing worldwide market share of Taiwan notebook manufacturers, the increasing output of notebook computer from the PRC for the Greater China region, the continued relocation of Taiwan notebook manufacturers' production facilities from Taiwan to the PRC, the Directors believe that the contribution of notebook computers manufactured by Taiwan manufacturers in the PRC to the aggregate output of notebook computers in the world will continue to increase.

LEADING MARKET PLAYERS IN THE NOTEBOOK COMPUTER INDUSTRY

The notebook computer manufacturing industry is characterised by a few players being able to capture the majority of the market, which, in the Directors' view, are attributable to the cost advantage associated with the economies of scale. According to a report published by the MIC in May 2005, they estimated that Compal and Quanta accounted for approximately 16% and 24% of the notebook computer market share in 2004 in terms of units manufactured.

THE TREND OF DEMAND FOR NOTEBOOK COMPUTERS IN THE WORLD

The Directors expect that the future growth of notebook computers sales is expected to continue due to both the replacement trend and narrowing price gap between desktop computers and notebook computers. The Directors also consider that notebook computers' penetration rate will continue to rise as the demand for mobility grows and new applications for wireless connectivity develops. The narrowing price difference between desktop computers and notebook computers will also, in the Directors' opinion, stimulate an increase in demand for notebook computers.

Ongoing prices of notebook computers decline and improving wireless connectivity

According to a report published by the MIC in August 2005, the average export price for notebook computers manufactured in the Greater China region dropped approximately 8.12% from first quarter of 2003 to second quarter of 2005. The downward trend in notebook computer prices will, in the Directors' opinion, increase the popularity of notebook computers, thus giving vendors of notebook computers the potential and opportunity to gain larger market share of the computer industry from desktop computer manufacturers.

In particular, the development of wireless connectivity is, in the Directors' opinion, supporting an increase in the demand for notebook computers. Many public places are now installing wireless local area network connecting devices, allowing PC users to carry their notebook computers or tablet PCs with them for increasing mobility and efficiency.

Replacement demand for notebook computer

Based on a IDC's commercial PC 2004 survey published in May 2004, most respondents keep their personal computers for three to five years but more of the respondents replace notebook computers sooner compared to desktop computers. The shorter period of time that notebook computers are kept can be explained by several factors. Portables not only experienced a faster rate of technological advancement but are also inherently more vulnerable to damage compared to desktop computers. The Directors believe the higher replacement rate shall stimulate the demand for notebook computers to continue to grow.

INDUSTRY OVERVIEW

Keen competition in notebook computer casing market

The Directors believe that the competition in notebook computer casing manufacturing industry is very keen due to low legal entry barriers as well as competition from many existing competitors. Among the notebook computer casing makers, the Directors believe that the ability to meet customers' needs in terms of massive quantity, low cost and timely delivery are important to enjoy dominance of market share. Therefore, the Directors are of the opinion that industry participants which attain better economies of scale and lower production cost would dominate the market eventually, while firms lacking competitive attributes would inevitably be eliminated from the industry.

INTRODUCTION

Our Group has been principally engaged in the manufacture and sale of notebook computer casings since our establishment in 2000. We subsequently sought to diversify our product range to include the manufacture and sale of casings for LCD PCs, digital cameras and game consoles. The manufacture and sale of notebook computer casings contributed from about 96% to about 98% of our Group's turnover during the Track Record Period.

Our products are semi-finished consumer goods and are principally delivered to our customers' production plants in the PRC for further processing before marketing and sale to ultimate end users. Our customers include Arima, Asus, Compal, FIC, Wistron and Quanta, all of which are OEM and ODM electronic consumer product manufacturers of leading international brands. Approximately 64.49%, 68.72%, 87.86%, 83.87% and 91.57% of the Group's turnover were recognised as income derived from our PRC customers for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005 respectively. The remainder of our Group's turnover was recognised as income derived from the customers in Taiwan and other countries. However, while the classification of the segment income was based on the location of our customers rather than the destination of delivery of our products, approximately 88%, 89%, 94%, 92% and 95% of our products were delivered within the PRC for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005 respectively. Taking into account the above, the Directors consider the PRC to be the largest market for our products.

The Directors believe that our expertise and experience in the plastic injection moulding, dust-free spray painting, metal tooling and stamping and assembly of notebook computer casings enable us to offer our clients "one-stop" services by integrating lengthy and complex production processes vertically to lower production cost and to enhance efficiency and mass production capacity, and therefore provide us with a competitive edge in the manufacture of casings for notebook computers, LCD PCs, digital cameras and game consoles.

We experienced significant growth in our turnover since our establishment. The Directors believe that this was due to the increasing demand for notebook computers in recent years and our ability to capture the business opportunities arising from it with increase in production capacity, our provision of comprehensive "one-stop" services which gives the one point of contact for the production of notebook computer casing (including the provision of plastic injection moulding, dust-free spray painting, metal tooling and stamping and assembly) and also due to the fact that our PRC production plants are strategically located having regard to the location of our customers' factories in the PRC.

OUR COMPETITIVE STRENGTHS

The Directors believe that the following factors have been our principal earnings and growth contributors during the Track Record Period and will continue to be the key strengths to our future growth:

Our comprehensive “one-stop” production solution for casing manufacturing

Our Group is one of the notebook computer casing manufacturers which provide “one-stop” production solution. Our services encompasses plastic injection moulding, dust-free spray painting, metal tooling and stamping and final assembly for casing manufacturing. The Directors believe that the “one-stop” services, in terms of integrating lengthy and complex production processes vertically to lower production cost and to enhance efficiency and mass production capacity, is one of the key factors contributing to our success as, in our experience, this business model appears to be favoured by our customers as a result of better production efficiency due to the savings in production time and cost and enabling proper quality control.

Furthermore, we have extensive experience in production of casings. In October 2004, we successfully achieved the advanced know-how to produce extra-thin casing and achieved minimum thickness of our casings to as thin as 0.8 mm, which is among the thinnest of notebook computer casings currently available in the market. We are also able to produce high quality surface casing using “double-shot” moulding which would allow the moulding and stamping of different plastic materials of different colours together as a single piece which gives different varieties of outlook of casings.

Our efficient production facilities

We have established a new manufacturing plant operated by Ju Teng Electronics and expanded the existing manufacturing plants operated by Everyday Computer and Suzhou Dazhi respectively. In order to take advantage of the cost savings from the economies of scale and to satisfy the increasing volume of customers’ orders, we intend to further expand our production capacity by installing additional production lines at the existing production plants of Everyday Computer, Suzhou Dazhi and Ju Teng Electronics. The Directors believe that increasing our production facilities would allow us to further reduce our unit cost of production and achieve a higher profit margin as a result of the economies of scale.

Our valuable experience in the manufacture of casing

The Directors believe that our management has valuable experience in plastic injection moulding, dust-free painting and metal tooling and stamping. The Directors believe that our extensive experience in the application of these core production processes in the manufacture of casings have provided a solid platform for the business development of our Group in the casing manufacturing industry.

Our stringent quality control in the production process

Our Group implements stringent quality control of our production. Everyday Computer and Suzhou Dazhi have established quality management systems since March 2002 and January 2004 respectively which accords to the international quality standard ISO9001:2000 and which covers the whole manufacturing process in precision plastic injection moulding and metal stamping parts, painting and assembly. Ju Teng Electronics has also established a quality management system since September 2003 which accords to the international quality standard ISO9001:2001 for plastic surface painting. Each stage of our production is closely monitored by our Group's quality control staff. The Directors believe that a good quality management system provides a guarantee for the quality of our Group's products.

Our established relationships with OEM electronic consumer product manufacturers of leading international brands as well as ODM manufacturers

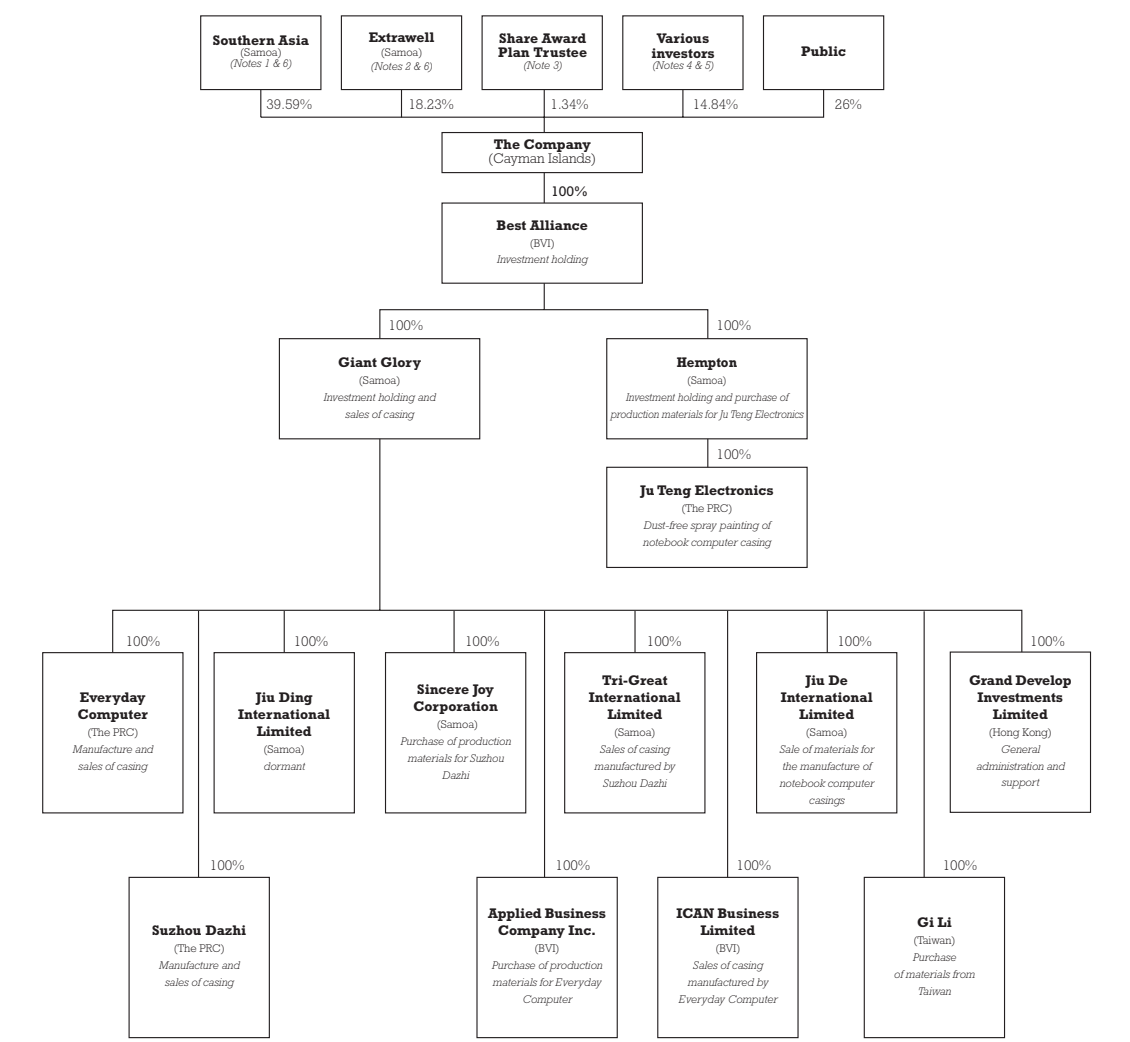
We have established relationships with our major customers who are OEM and ODM product manufacturers of leading brands of electronic consumer products such as Arima, Asus, Compal, FIC, Wistron and Quanta. The Directors believe that these relationships are attributable to our consistent product quality, timely delivery of products and our quick response to market demand for different product specifications. We shall endeavour to strengthen our continuing alliance with these customers.

Strategic locations of our production facilities and cost advantage

Our production plants are strategically located in Jiang Su and Shanghai, the PRC which enables us to quickly reach most of our major customers and benefit from the proximity to our customers' factories in Jiang Su, the PRC. Our Group sources production materials mainly from the PRC and Taiwan. Due to, among other things, the relatively lower transportation cost associated with shorter distance deliveries mainly within Shanghai and Jiang Su, the PRC and discount obtained from bulk purchases of production materials compared to other smaller manufacturers without the advantage of the large economies of scale as our Group in the PRC and from Taiwan, we have been able to achieve a comparatively higher profit margin during the Track Record Period. Our Group will continue to seek to source lower cost production materials of comparable quality from different areas so as to further enhance our supply chain management efficiency which may further improve the profitability of our Group and help to maintain the price competitiveness of our products.

GROUP STRUCTURE

The following chart shows the members of our Group immediately after the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options granted or to be granted under the Pre-IPO Share Scheme and the Share Option Scheme) together with their respective shareholding structure, places of incorporation and principal businesses:



Notes:

- (1) Southern Asia is owned as to approximately 69.09% by Shine Century Assets Corp., the entire issued share capital of which is beneficially owned by the Cheng Family Trust. The beneficiaries of the Cheng Family Trust include Mr. Cheng Li-Yen, Mr. Cheng Li-Yu and some of their respective family members (which do not include Ms. Cheng Shu-Yuan, the sister of Mr. Cheng Li-Yu). Approximately 6.09% of the shareholding interest in Southern Asia is owned by Aegis Holding Limited, a company jointly controlled by Mr. Cheng Li-Yu and an Independent Third Party. The remaining shareholding interest in Southern Asia is owned as to approximately 11.35% by various employees of our Group and/or their spouses, as to approximately 6.80% by four Independent Third Parties, as to approximately 4.18% by three relatives of Mr. Cheng Li-Yu, one of whom is also an employee of our Group, and as to approximately 2.49% by a company controlled by Mr. Cheng Li-Yu.

- (2) Extrawell is a company incorporated in Samoa and beneficially owned as to approximately 14.25% by Mr. Horng Tsai-Chin, a non-executive Director, as to approximately 45.08% by the family members of Mr. Horng Tsai-Chin, two of whom are also employees of Ta Yu Metallic, as to approximately 16.17% by two individuals who are Independent Third Parties and the remaining approximately 24.5% by the three employees of Ta Yu Metallic.
- (3) The Share Award Plan Trustee acts as the trustee to hold these Shares on trust for the employees of our Group under the Share Award Plan. Principal terms of the Share Award Plan are summarised under the paragraph headed "Share Award Plan" in Appendix VII to this prospectus.
- (4) These investors comprise several passive investors and companies beneficially owned by employees of our Group. They are:
- (a) Finance Advance Limited will own 6,924,093 Shares, representing approximately 0.69% of our issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme). Finance Advance Limited is a passive investor and is not involved in the management of our Group. It does not have any representation on the board of directors of any member of our Group, nor has it undertaken any office or management role in any member of our Group. The entire issued share capital of Finance Advance Limited is owned by Ms. Cheng Shu-Yuan, the sister of Mr. Cheng Li-Yu.
 - (b) Pan Yu Ventures Limited will own 10,905,448 Shares, representing approximately 1.09% of our issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme). The entire issued share capital of Pan Yu Ventures Limited is owned by Mr. Lo Jung-Te, one of the Group's senior management.
 - (c) Ace World Investments Limited will own 26,811,086 Shares, representing approximately 2.68% of our issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme). Ace World Investments Limited is an investment holding company which is owned by Mr. Cheung Moon Fuk, an individual who is an Independent Third Party and is not involved in the management of our Group. It does not have any representation on the board of directors of any member of our Group, nor has it undertaken any office or management role in any member of our Group. Based on the total investment cost of US\$3 million by Ace World Investments Limited in our Group and its interest in 26,811,086 Shares immediately following completion of the Share Offer and the Capitalisation Issue, the average investment cost per Share paid by Ace World Investments Limited is approximately HK\$0.87.
 - (d) Prosper Sino Limited will own 14,959,564 Shares, representing approximately 1.50% of our issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme). The entire issued share capital of Prosper Sino Limited is owned by six employees of our Group, including Mr. Huang Kuo-Kuang, one of the executive Directors.
 - (e) Willsley Capital Co., Ltd. will own 53,622,158 Shares, representing approximately 5.36% of our issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options granted under

BUSINESS

the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme). Willsley Capital Co., Ltd. is an investment holding company which is beneficially owned by Mr. Duan Wang, who is an Independent Third Party. Willsley Capital Co., Ltd. is a passive investor and is not involved in the management of our Group. It does not have any representation on the board of directors of any member of our Group, nor has it undertaken any office or management role in any member of our Group. Based on the total investment cost of US\$6 million by Willsley Capital Co., Ltd. in our Group and its interest in 53,622,158 Shares immediately following completion of the Share Offer and the Capitalisation Issue, the average investment cost per Share paid by Willsley Capital Co., Ltd. is approximately HK\$0.87.

- (f) Elite Services Business Limited will own 30,673,971 Shares, representing approximately 3.07% of our issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme). Elite Services Business Limited is an investment holding company which is owned by Mr. Leung Sai Han Louis, an individual who is an Independent Third Party. Elite Services Business Limited is a passive investor and is not involved in the management of our Group. It does not have any representation on the board of directors of any member of our Group, nor has it undertaken any office or management role in any member of our Group.
 - (g) Worldstar Holding Limited will own approximately 4,468,517 Shares, representing approximately 0.45% of our issued Shares immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and which may be granted under the Share Option Scheme). Worldstar Holding Limited is an investment holding company which is owned by Ms. Huang Shu-Chin, an individual who is an Independent Third Party. Worldstar Holding Limited is a passive investor and is not involved in the management of our Group. It does not have any representation on the board of directors of any member of our Group, nor has it undertaken any office or management role in any member of our Group. Based on the total investment cost of US\$500,000 by Worldstar Holding Limited in our Group and its interest in 4,468,517 Shares immediately following completion of the Share Offer and the Capitalisation Issue, the average investment cost per Share paid by Worldstar Holding Limited is approximately HK\$0.87.
- (5) Each of Finance Advance Limited, Pan Yu Ventures Limited, Ace World Investments Limited, Prosper Sino Limited, Willsley Capital Co., Ltd., Elite Services Business Limited and Worldstar Holding Limited has severally given certain undertakings regarding, among other matters, the non-disposal of Shares to our Company, the Global Coordinator and the Underwriters, details of which are set out in the paragraph headed "Undertakings" in the section headed "Underwriting" in this prospectus.
- (6) Southern Asia, as controlling Shareholder, has undertaken to and covenanted with our Company and the Stock Exchange that, within the period commencing from the Latest Practicable Date and ending on the date which is 12 months from the Listing Date, it will:
- (a) when it pledges or charges any securities or interests in the securities of our Company beneficially owned by it, whether directly or indirectly, in favour of an authorised institution pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of securities of our Company so pledged or charged; and
 - (b) if it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be disposed of, immediately inform us of such indications.

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Shine Century Assets Corp., being the controlling shareholder of Southern Asia, which is a controlling Shareholder, has undertaken to and covenanted with our Company and the Stock Exchange that:

- (a) it will not, for the period commencing from the Latest Practicable Date and ending on the date which is six months from the Listing Date, dispose of or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of) any of the shares or any interests owned by it in Southern Asia; and
- (b) it will procure Southern Asia not to, for the period commencing from the Latest Practicable Date and ending on the date which is six months from the Listing Date, dispose of or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of) any of the Shares or any interest thereon owned by Southern Asia in our Company in accordance with Rule 10.07(1)(a) of the Listing Rules.

The Trustee has also undertaken to and covenanted with our Company and with the Stock Exchange that it will not, for the period commencing from the Latest Practicable Date and ending on the date which is 6 months from the Listing Date, dispose of or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of) any of the shares or any interests held by it in Shine Century Assets Corp..

Shine Century Assets Corp. and the Trustee have also given certain undertakings to our Company, the Global Coordinator and the Underwriters regarding non-disposal of shares in Southern Asia or, as the case may be, Shine Century Assets Corp., details of which are set out in the paragraph headed “Undertakings” in the section headed “Underwriting” of this prospectus.

Extrawell and Mr. Horng Tsai-Chin, a substantial shareholder of Extrawell, have also given certain undertakings to our Company, the Global Coordinator and the Underwriters regarding non-disposal of the Shares or, as the case may be, the shares in Extrawell, details of which are set out in the paragraph headed “Undertakings” in the section headed “Underwriting” of this prospectus.

HISTORY AND DEVELOPMENT

Our Group was founded in 2000 with the incorporation and establishment of Giant Glory and Everyday Computer respectively to commence construction of our first production plant in Suzhou, the PRC. With the aim to amalgamate the resources and expertise of our founders, Mr. Cheng Li-Yen, Mr. Cheng Li-Yu and Mr. Horng Tsai-Chin, our Group was founded to provide “one-stop services” in the production of casings which combines plastic injection moulding, metal tooling and stamping, dust-free spray painting and assembly under the same roof.

During the Track Record Period, our Group was under the management of Mr. Cheng Li-Yu, Mr. Cheng Li-Yen and Mr. Horng Tsai-Chin, the three founders and the core management of our Group. Our Group was established as a relatively small operation, and had grown significantly during the Track Record Period. The three founders have played an important role in the management and decision-making in our Group's business development and have closely supervised the daily operations of our Group during the Track Record Period.

Mr. Cheng Li-Yu, Mr. Cheng Li-Yen and Mr. Horng Tsai-Chin founded our Group and they formed the majority of the board of directors of the principal operating subsidiaries of our Group throughout the Track Record Period. Because of the fast business growth of our Group during the Track Record Period, our Group has recruited a number of staff to join our Group to assist the founders in the management of our Group. These senior staff performed their duties under the direction of the relevant board of directors, which remained substantially unchanged throughout the Track Record Period.

In 2001, our first production plant in Suzhou, the PRC under Everyday Computer commenced operations. Everyday Computer is principally engaged in the manufacture of casings for notebook computers.

Our Directors estimated that the production volume of Everyday Computer reached approximately 80% of its maximum production capacity after the first year of operation in 2001. In order to satisfy the increasing demand of notebook computer casings and diversify our Group's products, our Group established a new production plant in the vicinity of Everyday Computer in 2002. The new production plant is operated by Suzhou Dazhi which is engaged in the manufacture of casings for notebook computers, LCD PCs, digital cameras and game consoles. The aggregate gross floor area of the production plants occupied by Everyday Computer and Suzhou Dazhi were approximately 428,457.59 sq.m..

In 2002, in order to facilitate the Group's sales and purchase, Applied Business Company Inc. and Sincere Joy Corporation were established for engaging in the purchase of production materials for our Group's production. In the same year, Tri-Great International Limited and ICAN Business Limited were established to carry out sales of the Group's products.

In March 2003, SinoPac Capital Limited and Giant Glory entered into a placing agent agreement (the "Placing Agent Agreement") pursuant to which SinoPac Capital Limited agreed to procure investors to subscribe for shares in Giant Glory. Subsequently, SinoPac Capital Limited introduced investors including Willsley Capital Co., Ltd., Ace World Investments Limited and Worldstar Holding Limited to subscribe for an aggregate of 1,900,000 new shares of US\$1 each in the share capital of Giant Glory at the aggregate consideration of US\$9.5 million. Please refer to the paragraph headed "Group structure" in this section for details.

In March 2003, Jiu De International Limited was established as a wholly-owned subsidiary of Giant Glory. Jiu De International Limited owned the entire interest in Jiu Ding International Limited at the date of its incorporation. In September 2003, Jiu De International Limited transferred its entire interest in Jiu Ding International Limited to Giant Glory.

With a view to enhancing our Group's sales and marketing capacity and procurement channel in Taiwan, pursuant to an agreement dated 13th October, 2003, our Group acquired an aggregate of 500,000 shares of NT\$10 each in the share capital of Gi Li, being its entire issued share capital, as to 155,650 shares from Mr. Cheng Li-Yu, 148,200 shares from Mr. Cheng Li-Yen, 29,650 shares from Mr. Huang Kuo-Kuang, 83,250 shares from Mr. Horng Tsai-Chin and 83,250 shares from Mr. Lo Tai-Sung respectively, at an aggregate cash consideration of NT\$5 million. Such transfer became effective on 26th November, 2003. The consideration for the acquisition of the entire equity interest of Gi Li from Mr. Cheng Li-Yu, Mr. Cheng Li-Yen, Mr. Horng Tsai-Chin, Mr. Huang Kuo-Kuang and Mr. Lo Tai-Sung was based on the cost of capital investment contributed by the each of the vendors pursuant to the reorganisation of our Group which was mutually agreed between our Group and the vendors. The Directors consider that the consideration for the acquisition of Gi Li is fair and reasonable and that the acquisition of Gi Li is in the interest of our Group.

In June 2004, our Group acquired from Linwood Investments Limited and Elite Services Business Limited the entire issued share capital of Hempton, in consideration and in exchange for which Best Alliance allotted and issued, credited as fully paid, an aggregate of 2,822,581 shares of US\$1 each, as to 2,116,936 shares to Linwood Investments Limited and 705,645 shares to Elite Services Business Limited. Hempton owns the entire interest in Ju Teng Electronics, a wholly foreign-owned enterprise which was then principally engaged in dust-free spray painting of notebook computer casings with its production plant in Song Jiang Export Processing Zone, Shanghai, the PRC. Linwood Investments Limited is a company controlled by Mr. Cheng Li-Yu, an executive Director, and Elite Services Business Limited is wholly-owned by an Independent Third Party.

In April, 2005, Ju Teng Electronics established its new production plant, located at Rong Xiang Road, Songjiang Export Processing Zone, Shanghai, the PRC, for the plastic injection moulding, dust-free spray painting and assembly for notebook computer casings. The gross floor area of the production plants engaged by Ju Teng Electronics was approximately 32,358.88 sq.m..

Grand Develop Investments Limited was incorporated in Hong Kong on 18th June, 2004. On 14th July, 2004, Grand Develop Investments Limited was activated and one subscriber share of HK\$1 was transferred by its subscriber to Giant Glory at a consideration of HK\$1. Grand Develop Investments Limited was acquired by our Group to provide administrative and support services to our Group.

Throughout 2004, we continually hired and built up our own mould production unit at the production plant of Suzhou Dazhi with approximately 610 workers as at 30th September, 2005 for strengthening our “one-stop” services to our customers.

On 17th June, 2005, in preparation for the listing of the Shares on the Main Board, our Group underwent a reorganisation, pursuant to which the Company became the holding company of our Group. Details of the Reorganisation are set out in the paragraph headed “Group reorganisation” in Appendix VII to this prospectus.

The Directors confirm that our Group has complied with all relevant laws and regulations and has obtained all licences, approvals and permits from appropriate regulatory authorities for our Group’s business operations in all relevant jurisdictions.

OUR GROUP’S PRODUCTS

We produce casings for notebook computers, LCD PCs, digital cameras and game consoles. The products of our Group are semi-finished consumer products which are supplied to major Taiwan ODM and OEM vendors engaged in personal computer, LCD PC, digital camera and game console manufacturing and assembly with production bases in the PRC. We are capable of producing notebook computer casings by thin-moulding plastics of the same thickness as but lighter than magnesium casing and we are also capable of using metallised composite which offers comparable strength as to magnesium casing but at a lower production cost.

BUSINESS

The following table sets out the breakdown of turnover by products of our Group for the three years ended 31st December, 2004 and the six months ended 30th June, 2005 together with the comparative figures for the six months ended 30th June, 2004.

Types of products	Year ended 31st December,			Six months ended	
	2002	2003	2004	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Notebook computer					
casings and components	226,353	865,782	1,535,828	640,074	1,055,864
Digital camera casings	8,279	21,550	10,269	8,459	528
Game console and others	–	–	14,996	7,693	40,318
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	234,632	887,332	1,561,093	656,226	1,096,710
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

PRODUCTION FACILITIES

Our Group has several production plants in the PRC operated by Everyday Computer, Suzhou Dazhi and Ju Teng Electronics respectively, further details of which are set out below and in Appendix V to this prospectus.

Everyday Computer

Everyday Computer, established on 6th July, 2000 in the PRC with a current registered capital of US\$35 million, has its two production plants located at Gua Jing Road, Song Ling Town Economic Development District, Wu Jiang City, Jiang Su Province, the PRC. Everyday Computer is principally engaged in the manufacture of casings for notebook computers. The production plants were built on three parcels of land with a total site area of approximately 100,765.1 sq.m. and comprises 20 various major buildings and structures including workshops for plastic injection moulding, metal tooling and stamping and dust-free spray painting, warehouse, office building and staff quarters with a total gross floor area of approximately 195,154.18 sq.m..

As at 30th September, 2005, Everyday Computer had approximately 5,650 staff.

Based on the number of machines for production as at 30th September, 2005, which included approximately 132 sets of plastic injection machines, 168 sets of metal stamping machines and 136 sets of spray painting robots, and the Directors' experience, the Directors estimated that the production capacity of notebook computer casings for Everyday Computer as at 30th September, 2005 amounted to approximately 706,000 units per month. Based on their experience, the Directors estimated that the existing utilisation rate of Everyday Computer has reached approximately 80% as at 30th September, 2005.

Suzhou Dazhi

Suzhou Dazhi, established on 29th September, 2002 in the PRC with a current registered capital of US\$55 million, has its production plant at No. 351 Zhong Shang North Road, Song Ling Town Economic Development District, Wu Jiang City, Jiang Su Province, the PRC. Suzhou Dazhi is principally engaged in the manufacture of casings for notebook computers, LCD PCs, digital cameras and game consoles. The production plant was built on a parcel of land with a site area of approximately 131,679.7 sq.m. and comprises 28 buildings of workshops, warehouses, office building, staff quarters and other ancillary facilities with a total gross floor area of approximately 233,303.41 sq.m..

As at 30th September, 2005, Suzhou Dazhi had approximately 11,830 staff.

Based on the number of machines used in the production of our products as at 30th September, 2005, which included approximately 225 sets of plastic injection machines, 228 sets of metal stamping machines and 170 sets of spray painting robots, and the Directors' experience, the Directors estimated that the production capacity of notebook computer casings for Suzhou Dazhi as at 30th September, 2005 amounted to approximately 1,264,000 units per month. Based on their experience, the Directors estimated that the existing utilisation rate has reached approximately 80% as at 30th September, 2005.

Ju Teng Electronics

Ju Teng Electronics, established in the PRC on 7th June, 2002, with a current registered capital of US\$12.5 million, is principally engaged in plastic injection moulding, dust-free spray painting and assembly for the notebook computer casings. Ju Teng Electronics has two production plants in the PRC, one of which is a new production plant owned by Ju Teng Electronics and located at Rong Xiang Road, Songjiang Export Processing Zone, Shanghai, the PRC, with a total gross floor area of approximately 26,750.88 sq.m., and the other production plant is leased by Ju Teng Electronics and is located at Luo Yi Er Phase I District, Alley 8 Rong Jiang Road, Songjiang Export Processing Zone, Shanghai, the PRC, with a total gross floor area of approximately 5,608 sq.m..

The tenancy agreement for the above leased production plant operated by Ju Teng Electronics is for a term expiring on 31st July, 2008. As the existing production plants of Everyday Computer, Suzhou Dazhi and Ju Teng Electronics can take up the production capacity currently undertaken by the above leased production plant, the Directors do not expect any significant disruption of production of our Group or any loss of income resulting from the cessation of the operation of such leased production plant upon expiry of the tenancy agreement or otherwise arising from eviction from such leased production plant for whatever reason.

As at 30th September, 2005, Ju Teng Electronics had approximately 1,920 staff.

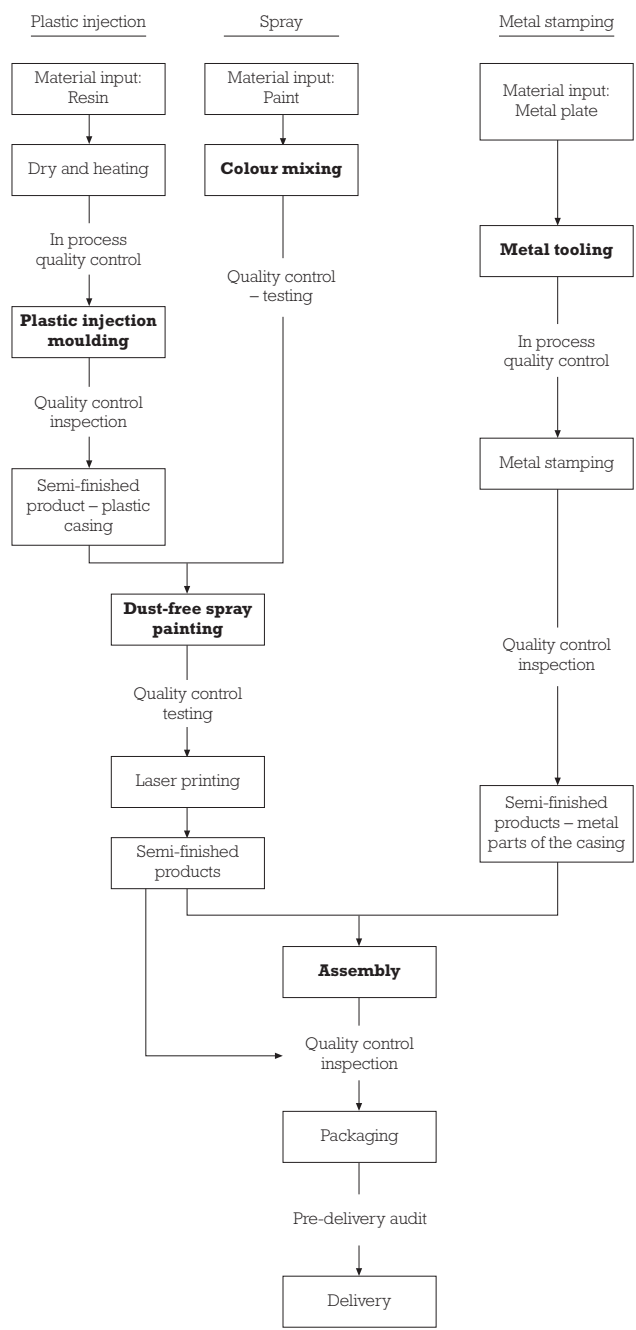
Based on the number of machines for production as at 30th September, 2005, which included approximately 38 sets of plastic injection machinery and 46 sets of spray painting robots, and the Directors' experience, the Directors estimated that the spray painting capacity of notebook computer casings for Ju Teng Electronics as at 30th September, 2005 amounted to approximately 471,000 units per month. Based on their experience, the Directors estimated that the existing utilisation rate has reached approximately 80% as at 30th September, 2005.

As at 30th September, 2005, we had 19,443 employees, of which 17,812 employees were engaged in production, product engineering, metal tooling and quality assurance and 1,631 employees were engaged in management and administration, sales, marketing, accounting and logistics operations of our Group.

PRODUCTION PROCESS

Notebook computer casings usually contained plastic parts and metal parts. The production of our casing products involve four major stages including (1) plastic injection moulding; (2) spray painting; (3) metal tooling and stamping; and (4) assembly. Our Directors consider that our core competence lies in our expertise in complex thin-wall moulding and advanced surface painting process. We have whirling spray painting equipment and have adopted thin-wall moulding and aluminium metal stamping in our production process.

The following flowchart is an illustration of the production processes including the major stages as mentioned above:



Plastic injection moulding

Plastic injection moulding is the conforming of the plastic materials into required forms using an automatic moulding machine.

Stage 1 – Preparation

- Materials are selected from various suppliers.
- Production materials are inspected by our incoming inspection units.
- The plastic particles are dried and prepared for conforming into the required forms.

Stage 2 – Production

- An automatic plastic injection moulding system is used in heating the plastic material and in conforming the plastic particles into the required form by a moulding machine.
- The quality control unit will carefully inspect the trial products.
- Mass production commences after satisfying the product test.
- Quality control unit will inspect the final products.



Picture 1 Resin are conformed into different required forms by an automatic moulding machine.

Stage 3 – Completion

- Plastic injection products will be inspected by quality control specialists to ensure compliance with specifications.
- Plastic injection products are transferred to the painting department.

Spray painting

Stage 1 – Preparation

- Plastic injection products are received from our plastic injection moulding department.
- Paint is sourced from various suppliers and inspected by our incoming inspection units.
- The paint will be mixed into the prescribed colour and concentration according to our customers' specifications.
- The paint will be checked by the quality control department to ensure the quality and the colour of the paint meet our customers' specifications.

Stage 2 – Production

- An automatic dust-free spray painting system is used to paint the plastic injection products.
- The plastic injection products will be removed from the spraying cavity for drying after painting.
- Printing of customers' logo by the semi-automatic printing lines or laser printing.

Stage 3 – Completion

- Quality control unit will analyse the colour, brightness, hardness and durability of the products after painting.
- Finally, the painted products are transferred to the assembly department for assembling and packaging in preparation for delivery or are checked by the quality control unit at the final stage of process and packaged in preparation for delivery.

Metal stamping

Stage 1 – Preparation

- Metal sheets are received from various suppliers and inspected by incoming inspection units.

Stage 2 – Production

- Our engineering department is responsible for the development of metal tooling to meet different required forms of metal stamping.
- The metal sheets are placed in an automatic stamping machine to be pressed into their specifications.
- Pressed metallic units will be cleaned and measured.



Picture 2 Metal sheets are placed in automatic metal tooling and stamping machine to be punched and stamped into their specifications.

Stage 3 – Completion

- Stamped products will be inspected by our quality control units for conformity to specifications.
- Finally, the stamped products are delivered to our assembly department for assembly and packaging in preparation for delivery.

Assembly

- Painted casings, metal components and other parts are received from our plastic injection moulding department, painting department, stamping department and warehouse for final assembly.
- The parts and accessories will be assembled into final products in accordance with our customers' specifications.
- The products will be checked by the quality control unit at the final stage of process and packaged in preparation for delivery.



Picture 3 The plastic and metal parts are assembled in accordance with our customers' specifications.

QUALITY CONTROL

In order to enhance the competitiveness of our products, we place stringent quality control on our production process and selection of our production materials. We have purchased testing equipment, established testing facilities, formulated strict testing procedures and employed quality control personnel to implement our quality control procedures.

As at 30th September, 2005, we have a quality control department which comprised 1,359 staff which carries out quality inspection throughout all stages of production. Quality control staff are assigned to every production line so as to ensure our products meet our prescribed quality standards. Our quality control department closely monitors different production departments and sets targets, policies and plans for quality management.

Every stage of our Group’s production and delivery process is closely monitored by our Group’s quality control staff. The incoming production materials and accessories are tested by our Group’s quality control unit on a random sampling basis to ensure that the quality of the production materials complies with the prescribed quality standards of our Group. Quality checks are carried out at various stages of production to ensure that any defects in semi-finished products can be identified at an early stage of the production process and be rectified where possible. Workers are required to follow an instruction menu to ensure the quality of our Group’s products. Before our Group’s finished products are packaged for final delivery to our customers, we will inspect these products on a sampling basis to ensure the relevant specifications and quality standards of these products have been met.

Our commitment to quality is recognised by the accreditation of ISO9001:2000 quality standards (the international organisation for standardisation’s highest standard) for quality control. Everyday Computer, Suzhou Dazhi and Ju Teng Electronics have each put in place a quality management system which accords to the ISO9001:2000. The whole manufacturing processes from precision plastic injection moulding and stamping parts, spray painting to component parts assembly follow the standard procedures outlined in the ISO9001:2000 procedure manuals and each stage of the production is closely monitored by our Group’s quality control staff. As at the Latest Practicable Date, we have not experienced any material sales return due to defective products.

The following table sets out the ISO accreditations of our Group’s production bases:

Production plant	Particulars	Time of accreditation
Everyday Computer	ISO9001:2000	March 2002 (by SGS United Kingdom Limited)
Suzhou Dazhi	ISO9001:2000	January 2004 (by SGS United Kingdom Limited)
Ju Teng Electronics	ISO9001:2000	30th September, 2003 (by China Quality Certification Centre)

INVENTORY CONTROL

Our Group's production materials and inventories are stored in the warehouses of Everyday Computer, Suzhou Dazhi and Ju Teng Electronics. As at 30th September, 2005, our Group's had assigned over 370 staff to inventory maintenance. They perform monthly checks on the inventory records to ensure that our records are up-to-date and accurately reflect our inventory levels and movements of our inventory.

As at 30th June, 2005, the inventory level of our Group, including production materials, work in progress, finished goods and moulds and consumable tools amounted to approximately HK\$653 million.

We endeavour to carefully monitor our inventory level to cater for the fluctuation in our sales volume. We also endeavour to closely observe the overall business environment in which our Group is engaged in and will increase the inventory level as the circumstances may require so as to reduce the impact from any possible interruption of production. Our Group had not experienced any significant production interruption during the Track Record Period.

General inventory provision is assessed based on the aging analysis of the inventory balance as at each year end date. In addition, further specific provision will be made based on assessment of the expected utilisation, saleable possibility and realisation of different types of production materials and finished goods. General provision for slow-moving and obsolete inventories of approximately HK\$1.7 million, HK\$4.5 million, HK\$17.7 million, HK\$3.6 million and HK\$9.9 million were made for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, respectively. All inventory aged over one year is fully provided for in accordance with our provisioning policy.

Our Group adopts a conservative provisioning policy to ensure to cover all slow-moving items. Our Group carries out monthly inventory counts and daily inventory reports are sent to production department and management to monitor the inventory movement to ensure there is sufficient inventory holding to meet the sales forecast and ensure the aged inventory may be utilised to avoid obsolete stock. As the Group's products are made when orders are received from customers (i.e. demand-driven) and the production materials could be widely used in different types of products and are not particularly susceptible to obsolescence, therefore we do not expect there will be a large amount of slow-moving and obsolete items.

SALES AND MARKETING

Sales

Our products are mainly sold in the PRC. Our products are semi-finished consumer goods and are sold and delivered to our customers' production plants in the PRC for further processing before marketing and sale to ultimate end users. The Directors consider that Asia, especially the PRC, is the largest market for our Group's products, as approximately 64.49%, 68.72%, 87.86%, 83.87% and 91.57% of our Group's turnover were recognised as income derived in the PRC for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005 respectively. The remainder of our Group's turnover was recognised as income derived in Taiwan and other countries. Set out below is the breakdown of our Group's turnover by geographical area for the three years ended 31st December, 2004 and the six months ended 30th June, 2005 together with the comparative figures for the six months ended 30th June, 2004:

	Year ended 31st December,						Six months ended 30th June,			
	2002		2003		2004		2004		2005	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
By geographical area										
<i>(Note)</i>										
Turnover:										
PRC	151,318	64.49	609,789	68.72	1,371,569	87.86	550,392	83.87	1,004,246	91.57
Taiwan	83,314	35.51	277,543	31.28	187,721	12.02	104,704	15.96	81,816	7.46
Others	—	—	—	—	1,803	0.12	1,130	0.17	10,648	0.97
	<u> </u>		<u> </u>		<u> </u>		<u> </u>		<u> </u>	
Total	<u>234,632</u>		<u>887,332</u>		<u>1,561,093</u>		<u>656,226</u>		<u>1,096,710</u>	

Note: Turnover by geographical area represents revenues attributed to the segments based on the location of customers.

Our Group's sales are denominated in US dollars. We do not request down payments from customers. The credit period granted by our Group usually ranges from 90 days to 120 days. Save for the HK\$1 million of bad and doubtful debts incurred for the year ended 31st December, 2002, our Group did not experience bad debts during the Track Record Period. The Directors attribute this record to our Group's stringent credit control policy. Our Group does not have any provision policy on trade receivables. Our Group's management usually obtains and reviews the background and basic financial information of new customers and also makes general enquiry with their industry peers. The credit terms to be granted to our customers will be determined by our Group's management taking into account the customers' background, creditability and relationship with our Group. Further, our Group's management will review the published financial statements of our major customers to ascertain the financial positions

of these customers. A monthly list of trade receivables, which shows details of each customer’s outstanding trade balance, is reviewed by our Group’s management to ensure that all material and aged balances are followed up properly.

Specific provision will be made to the extent that the recoverability of any debt is considered to be doubtful on a case-by-case basis. Save for trade receivables of HK\$1 million having been declared doubtful during the year ended 31st December, 2002, our Group did not record any bad and doubtful debt during the Track Record Period.

Marketing

Although our Group has not conducted any major promotional campaigns to promote our business, we have established business relationships with OEM product manufacturers of leading international brands as well as ODM manufacturers which have provided our Group with a steady stream of business. We also discuss the new market trend and our new products with our customers from time to time.

CUSTOMERS

For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, our Group’s five largest customers accounted for approximately 94.84%, 86.68%, 91.64%, 90.83% and 87.73% of our Group’s turnover respectively. For the same period, Quanta, the largest customer of our Group, with its subsidiaries Tech-Com (Shanghai) Computer Co. Ltd., Tech-Yeh (Shanghai) Computer Co. Ltd., Tech-Pro (Shanghai) Computer Co. Ltd. and Tech-Front (Shanghai) Computer Co. Ltd. together accounted for approximately 29.16%, 23.25%, 40.81%, 35.03% and 46.17% of our Group’s turnover respectively. For the year ended 31st December, 2002, four out of the five largest customers of our Group were manufacturers of computers and other digital appliances with production plants in the PRC and were Independent Third Parties. San Li, the remaining largest customer of our Group for the year ended 31st December, 2002, is principally engaged in dust-free spray painting in Taiwan and is controlled by Mr. Cheng Li-Yu, an executive Director.

The Directors believe that our Group has established good business relationships with our customers and has gained a reputation in the casing manufacturing industry primarily due to the high quality and competitive prices of our products. Our major customers and the products sold to them include:

Customer	Casing product
Arima	Notebook computer
Asus	Notebook computer, game console
Compal	Notebook computer
FIC	Notebook computer
Wistron	Notebook computer
Quanta	Notebook computer, LCD PC

Our above customers are OEM and ODM product manufacturers of leading brands of electronic products and which issued shares are listed on the Taiwan Stock Exchange Corporation. Save for the sales agreements in respect of the Relevant Sales (as defined below) to San Li and Sunrise, which constitute continuing connected transactions of the Group upon Listing and are briefly described in the sub-paragraph (b) in the paragraph headed "Continuing connected transactions" below, our Group has not entered into any formal agreements with our customers. Contracts for sales of our Group with customers are constituted by acceptance of purchasing orders or e-procurement orders.

Save for the sales to San Li, none of the Directors, their respective associates or, so far as the Directors are aware, Shareholders who own 5% or more of the issued share capital of our Company immediately following the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be taken up under the Share Offer or upon exercise of the Over-allotment Option) has had any controlling interests in any of the five largest customers of our Group during the Track Record Period.

The Directors are not aware of any material litigation or disputes that had arisen between our Group and any of our customers during the Track Record Period.

PRICING POLICIES AND PAYMENT TERMS

Our Group takes into consideration a number of factors in determining our pricing policies, which include market supply and demand, prices set by competitors, costs of production and technical specifications of the products.

All of our Group's sales are denominated in the US dollars. Payments are made by way of telegraphic transfer with a credit period of between 90 days and 120 days generally. Save for the HK\$1 million of bad and doubtful debts incurred for the year ended 31st December, 2002, our Group did not experience bad debt during the Track Record Period. The Directors attribute this record to our Group's stringent credit control policy.

PROCUREMENT

Our Group's procurement department is responsible for the purchase of production materials and assembly parts not manufactured by the Group. As at 30th September, 2005, our procurement department consisted of approximately 110 employees for the purchase of production materials and works closely with our Group's sales and marketing department and staff stationed at our Group's warehouses. Our Group currently has over 340 suppliers of production materials. Our Group's purchases are usually sourced from the PRC, Taiwan and Japan. For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, the five largest suppliers of our Group accounted for approximately 78.53%, 58.80%, 22.75%, 22.35% and 26.44% of our Group's total cost of purchases respectively and the largest supplier of our Group accounted for approximately 39.16%, 35.63%, 5.04%, 6.67% and 7.39% of our Group's total purchases respectively. Gi Li, a company

incorporated in Taiwan and principally engaged in the trading of casing materials and casing products in Taiwan, was the largest supplier of our Group for the two years ended 31st December, 2003. Before being acquired by our Group in 2003, Gi Li was a related company of our Group. Save for unforeseen circumstances, the Directors do not anticipate any material difficulties in the sourcing of production materials or assembly parts not manufactured by our Group in the foreseeable future. Save for the purchases from San Li and Ta Yu Metallic as disclosed in the paragraph headed "Continuing connected transactions" below, none of the Directors, their respective associates or, so far as the Directors are aware, Shareholders who own 5% or more of the issued share capital of our Company immediately following the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be taken up under the Share Offer or upon exercise of the Over-allotment Option) has had any interests in any of our Group's five largest suppliers during the Track Record Period.

PRODUCTION MATERIALS

The production materials used by our Group are primarily metal plate, resin and paint. For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, the costs of production materials accounted for approximately 66.11%, 68.01%, 64.24%, 65.61% and 64.77% respectively of our Group's total costs of sales. Our Group has not experienced any difficulties in obtaining supplies of production materials since the commencement of our business.

During the Track Record Period, purchases of our Group were mainly denominated in RMB, NT dollars and US dollars. For the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, (i) approximately 27.14%, 28.66%, 53.82%, 48.95% and 58.30% of our Group's purchases were settled in US dollars respectively, (ii) approximately 9.02%, 16.17%, 29.05%, 26.64% and 31.60% of our Group's purchases were settled in RMB respectively; and (iii) approximately 63.82%, 55.17%, 17.13%, 24.41% and 9.79% were settled in NT dollars respectively. Our Group has not encountered any disruption to our production as a result of shortage of supply of production materials despite the fact that our Group has not entered into any long-term procurement contracts with any of our suppliers. Our Group has not experienced any difficulties in obtaining supplies from our existing major suppliers. Given our Group's established relationship with its major suppliers, the Directors do not envisage that our Group will experience any significant difficulties in obtaining supplies from its existing major suppliers in the foreseeable future. The Directors confirm that our Group did not experience any material price fluctuation in production materials that affected the business of our Group during the Track Record Period.

During the Track Record Period, our Group was granted discounts for the bulk purchase of production materials. Together with the improved efficiency in the use of production materials, the enhanced quality of production materials and the decrease in the return rate of sub-standard production materials, the Directors believe that although increase in the cost of plastic resin resulted in the increase in the production materials costs of the Group for the six months ended 30th June, 2005, the price fluctuations in production materials would not materially affect our performance and profitability.

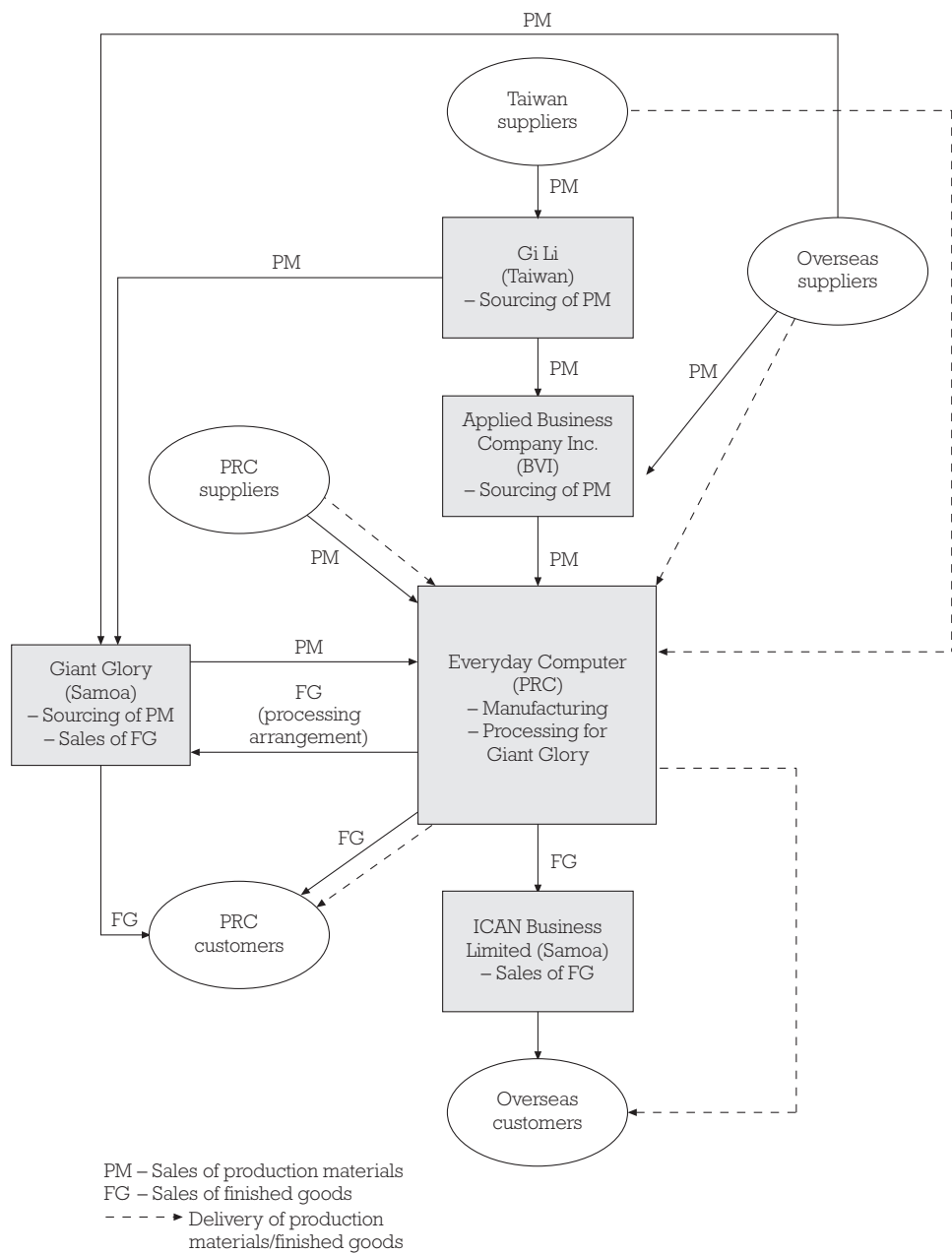
INTRA-GROUP OPERATIONAL FLOW

Our Group has been carrying out our operations through Gi Li, the Overseas Incorporated Subsidiaries and three PRC manufacturing subsidiaries, namely Ju Teng Electronics, Everyday Computer and Suzhou Dazhi. These Overseas Incorporated Subsidiaries are principally engaged in the procurement and sourcing of production materials for our Group's manufacturing operations in Taiwan and also act as the sales booking companies for on-sale of finished goods manufactured by Everyday Computer and Suzhou Dazhi to end customers. Except Gi Li having its business operations in Taiwan, each of the Overseas Incorporated Subsidiaries do not have their own administrative office or staff (except for Giant Glory which has its own staff). They have been carrying out their business operations through the staff of and administration services offered by Gi Li. The Overseas Incorporated Subsidiaries do not have bank accounts in the PRC, and all settlement of trade receivables and payables of the Overseas Incorporated Subsidiaries are made through their banks accounts in Taiwan.

During the Track Record Period, the operations of our Group can be divided into three operation systems including production by Everyday Computer, Suzhou Dazhi and Ju Teng Electronics as shown in the diagrams below:

Business flow of Everyday Computer

The following diagram shows the operational flow for the business among the relevant Overseas Incorporated Subsidiaries and Everyday Computer.



Procurement process

The production materials of Everyday Computer are acquired from our PRC suppliers directly or through Applied Business Company Inc. or Giant Glory for suppliers located in Taiwan and overseas (including Japan and US). Applied Business Company Inc. purchases production materials, through the business operation provided by Gi Li, mainly from Taiwan and overseas suppliers, while Giant Glory purchases production materials mainly through the business operation provided by Gi Li, from Taiwan suppliers and directly from overseas suppliers. Production materials are shipped to Everyday Computer directly from suppliers according to the instruction of Applied Business Company Inc. and Giant Glory.

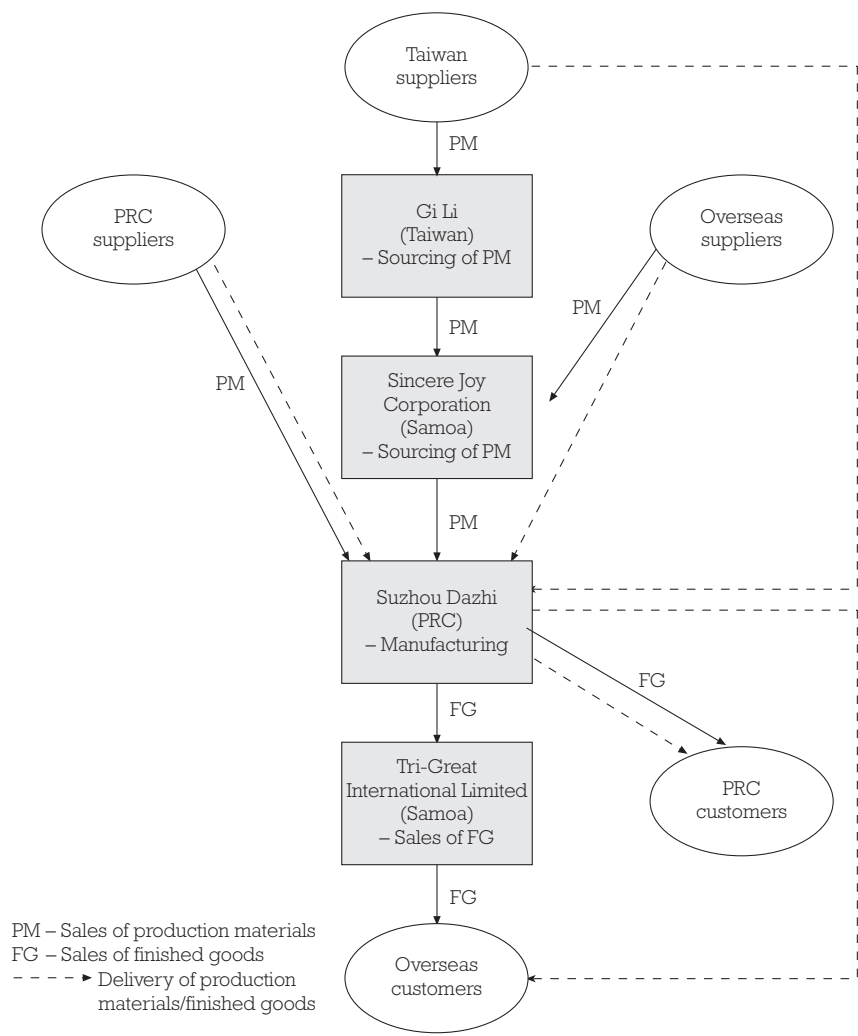
The supply of production materials to Everyday Computer by Applied Business Company Inc. and Giant Glory are charged in general at cost plus 10-15% over the cost at the time when the price has been agreed, subject to adjustment thereof as from time to time requested by the PRC customs. By this pricing arrangement, Applied Business Company Inc. and Giant Glory absorb the risk of price fluctuations and the administrative expenses incurred thereby in relation thereto.

Sales process

The sales of finished goods from Everyday Computer are made directly to our PRC customers or through ICAN Business Limited for overseas customers. All the sales activities to the overseas customers are carried out through Gi Li and invoices of ICAN Business Limited are issued in Taiwan and all receipts and payments are made in Taiwan. The selling of finished products from Everyday Computer to ICAN Business Limited are charged in general at cost plus 15-20% on average for the on-sale by ICAN Business Limited to its end customers at cost.

Business flow of Suzhou Dazhi

The following diagram shows the operational flow for the business among the relevant Overseas Incorporated Subsidiaries and Suzhou Dazhi.



Procurement process

The production materials of Suzhou Dazhi are acquired from our PRC suppliers directly or through Sincere Joy Corporation for suppliers located in Taiwan and overseas (including Japan and US). Sincere Joy Corporation purchases production materials, through the business operations provided by Gi Li, mainly from Taiwan and directly from overseas suppliers. Production materials are shipped to Suzhou Dazhi directly from suppliers according to the instruction of Sincere Joy Corporation.

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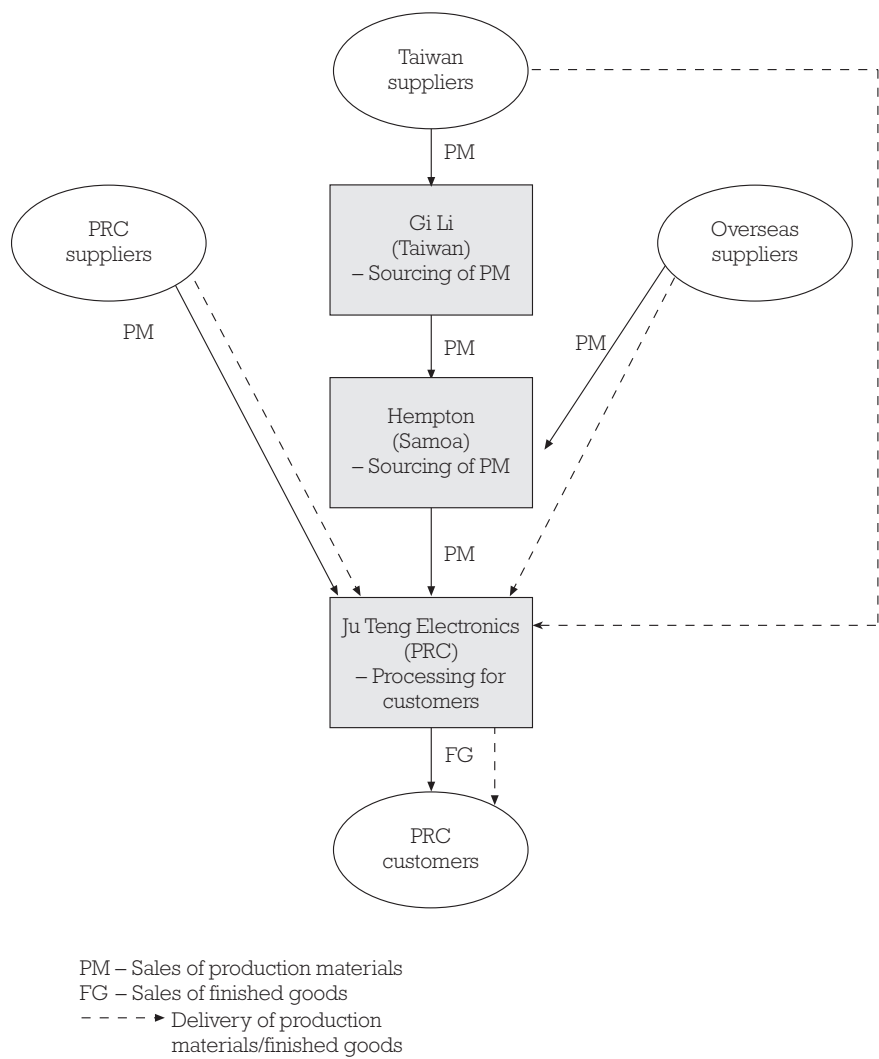
The supply of production materials to Suzhou Dazhi by Sincere Joy Corporation are charged in general at cost plus 10-15% over the cost at the time when the price has been agreed, subject to adjustment thereof as from time to time requested by the PRC customs. By this pricing arrangement, Sincere Joy Corporation absorbs the risk of price fluctuations and the administrative expenses incurred thereby in relation thereto.

Sales process

The sales of finished goods from Suzhou Dazhi are made directly to our PRC customers or through Tri-Great International Limited for overseas customers. All the sales activities to the overseas customers are carried out through Gi Li and invoices of Tri-Great International Limited are issued in Taiwan and all receipts and payments are made in Taiwan. The selling of finished products from Suzhou Dazhi to Tri-Great International Limited are charged in general at cost plus 15-20% on average for the on-sale by Tri-Great International Limited to their end customers at cost.

Business flow of Ju Teng Electronics

The following diagram shows the operational flow for the business among Gi Li, Hempton International Limited and Ju Teng Electronics.



Procurement process

The production materials of Ju Teng Electronics are mainly acquired from PRC suppliers directly or from suppliers located in Taiwan and overseas (including Japan and US) through Hempton or Gi Li. Hempton purchases production materials, through the business operations of Gi Li, from overseas suppliers, while production materials from Taiwan and the PRC are directly purchased by Gi Li and Ju Teng Electronics, respectively. The production materials purchased from Taiwan and overseas are shipped to Ju Teng Electronics directly according to the instructions of Hempton and/or Gi Li.

Since Hempton and Ju Teng Electronics became members of our Group in June 2004, the supply of production materials to Ju Teng Electronics by Hempton and Gi Li have been charged in general at cost plus 10-15% over the cost at the time when the price has been agreed, subject to adjustment thereof as from time to time requested by the PRC customs. By this pricing arrangement, Hempton absorbs the risk of price fluctuations and the administrative expense incurred thereby in relation thereto.

Sales process

The sales of finished products from Ju Teng Electronics are made directly to our Group's PRC customers. All the sales activities, including issue of invoice, are carried out by Ju Teng Electronics itself. All receipts and payment are made by Ju Teng Electronics itself in the PRC.

Other than the production materials supplied by Gi Li to each of Ju Teng Electronics, Everyday Computer and Suzhou Dazhi during the Track Record Period, certain of the production materials need to be further processed by Gi Li without subcontracting fee payable by the PRC subsidiaries before supplying to Everyday Computer and Suzhou Dazhi since 2003. Gi Li also commenced to supply moulds to Everyday Computer and Suzhou Dazhi at nil consideration during the Track Record Period. Since Gi Li was then controlled by several of our Directors, the moulds were supplied to Everyday Computer and Suzhou Dazhi by Gi Li as a support by several of our Directors to the operations of our Group and therefore no consideration had been assigned to the sales.

RESEARCH AND DEVELOPMENT

The Directors recognise the importance of continued development of our own research and development capability. In order to achieve this, our Group has established a research and development committee, which consists of several members of the senior staff of our Group. The research and development committee is responsible for planning our Group's initiatives relating to development of advanced products and moulds and improvement of existing production processes. Our research and development is conducted on a project-by-project basis, with each project aimed at enhancing and developing specific target production technologies or processes.

With specific target production technology identified and the planning for the requisite research and development identified by the research and development committee, such technology will be tested by our Group's existing engineers and workers and carried out at our production facilities. This approach provides flexibility

in the utilisation of our Group's resources. Our Group has an engineering team, headed by our Group's mould design engineering department which is responsible for the design of plastic injection moulding and metal stamping moulding. Our engineering team had over 620 staff as at 30th September, 2005.

The Directors consider that the integration of our Group's research and development process, from mould development to trial production, and the continued funding of future research and development initiatives through our Group's internal resources, provides our Group with the ability to respond to our customers' needs in a cost effective manner.

At present, decisions to enter into particular technical development activities are generally based upon factors such as the need to respond to demands from existing customers with regards to product specifications and the Directors' opinion of future market trend.

Our Group will focus on our technological developments in the following areas: (1) application of in mould decoration ("IMD"), which relates to film insert moulding for decorating and manufacturing durable plastic parts; (2) aluminum stamping applied in notebook computers for extra thin casing at 0.5 mm; and (3) three dimensional visual spray painting.

TECHNICAL SUPPORT

During the Track Record Period, each of San Li, Sunrise and Ta Yu Metallic has provided technological support in relation to dust free spray-painting, plastic injection moulding and metal tooling and stamping respectively, to our Group. For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, (i) the amount of fees and expenses paid to Ever Grand for the technical assistance provided by Sunrise was approximately nil, HK\$2,025,000, HK\$4,297,000, HK\$1,215,000 and HK\$4,324,000 respectively; (ii) the amount of fees and expenses paid to Extrawell for the technical assistance provided by Ta Yu Metallic was approximately nil, HK\$2,496,000, HK\$2,839,000, HK\$827,000 and HK\$2,395,000 respectively; and (iii) the amount of fees and expenses paid to Southern Asia for the technical assistance provided by San Li was approximately nil, HK\$3,745,000, HK\$5,469,000, HK\$1,766,000 and HK\$5,861,000 respectively.

Since each of San Li, Sunrise and Ta Yu Metallic has more than ten years of experience and technology know-how in dust free spray-painting, plastic injection moulding and metal tooling and stamping respectively, and each of San Li, Sunrise and Ta Yu Metallic have their own research and development department with more skillful engineers responsible for exploring new and advanced products and/or adding value on the existing products, the Directors consider that it is reasonable for our Group to

seek technical assistance from each of the more established and experienced San Li, Sunrise and Ta Yu Metallic, especially since we only established our operations in 2000. During the Track Record Period, the following technological support and know-how had been provided to our Group by each of San Li, Sunrise and Ta Yu Metallic:

Dust-free spray painting (by San Li)	–	including high brightness colour spray painting
Plastic injection moulding (by Sunrise)	–	including double shot (dual colour) injection technology whereby two kinds of materials with different colors can be integrated into a single dual color product
Metal tooling and stamping (by Ta Yu Metallic)	–	including integration of aluminum alloy with plastic

The Directors consider that the additional technical support provided by San Li, Sunrise and Ta Yu Metallic to our Group's research and development enhanced our Group's research and development capability, and increased our flexibility to obtain the technological support having regard to cost efficiency and payment terms. If the Directors consider that additional technical support is required to satisfy the specifications demanded by our customers, we shall continue to seek technical support from each of San Li, Sunrise and Ta Yu Metallic or other independent research and development providers in respect of our new products development on a project-by-project basis after the Listing. As our Group's research and development capacity improves, the Directors expect that the reliance on the technical support from San Li, Sunrise and Ta Yu Metallic will be reduced.

Each of Mr. Cheng Li-Yu, Mr. Cheng Li-Yen, Mr. Horng Tsai-Chin, San Li, Sunrise and Ta Yu Metallic has agreed under their respective non-compete undertakings that he/it will, and will procure his/its associates to, undertake such research and development in relation to the development of new technologies and know-how in their respective areas of specialisation, namely, dust-free spray painting, plastic injection moulding and metal tooling and stamping as may be required by our Group. The Directors consider that, the above arrangement will serve as a cost-efficient alternative for our Group to enhance our research and development capabilities in the areas of spray painting, plastic injection moulding and metal tooling and stamping.

Any engagement by our Group with San Li, Sunrise and Ta Yu Metallic for these research and development projects may constitute connected transactions under Chapter 14A of the Listing Rules. Our Company will comply with the applicable rules set out in Chapter 14A of the Listing Rules if these transactions arise.

ENVIRONMENTAL PROTECTION

The current environmental protection laws and regulations promulgated by the PRC government impose a progressive scale of fees for the discharge of waste materials and require the payment of fines for pollution and the closure of any facility which causes serious environmental problems. Production plants are required to have environmental protection facilities designed to operate simultaneously with the production facilities. Save for the production of a certain level of noise from the production process and the disposal of a small amount of solid waste production materials, our Group's production plants do not discharge waste water nor do they emit smoke from their production processes.

Our Group has not received any notice or warning in relation to pollution in respect of its production and facilities. However, as an on-going requirement, our Group is required to satisfy tests carried out from time to time by relevant local environmental regulatory authorities for smoke emissions, noise level, solid waste disposal and waste water discharges. Non-compliance with any environmental laws, rules or regulations may, depending on the seriousness of the violation, result in an order for rectification from the authorities, penalties, or an order for cessation of production. There is no assurance that the PRC national or local authorities will not impose additional environmental protection requirements which might disrupt our manufacturing process or require our Group to incur additional expenditure in complying with such additional requirements. As at the Latest Practicable Date, our Group had not been in violation of, warned by or subject to any fines or penalties by government authorities in the PRC in relation to environmental protection laws in the PRC.

POTENTIAL COMPETING BUSINESS OF OUR CONTROLLING SHAREHOLDER, OUR DIRECTORS AND THEIR RESPECTIVE ASSOCIATES**Relationship with San Li**

San Li is a company incorporated in Taiwan in 1984 with limited liability. San Li is principally engaged in spray painting of electronic consumer product casings with its production facilities in Taiwan and had approximately 317 employees as at 31st August, 2005. The manufacturing base and the principal market of San Li are in Taiwan. The major customers of San Li are Taiwanese enterprises engaging in computer assembling and manufacturing of consumer electronic products with production bases in Taiwan. The spray paint products of San Li include notebook computer casings and mobile phone casings which are mostly ordered by their customers to be delivered in Taiwan. With approximately 20 sets of spray painting machines owned by San Li and approximately 317 staff of San Li, the average monthly output capacity of San Li reached approximately 152,000 units of notebook computer casings for the eight months ended 31st August, 2005.

Southern Asia, the controlling shareholder of our Company, will hold approximately 39.59% of the issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares falling to be allotted and issued upon exercise of the Over-allotment Option or any options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme). Southern Asia is owned as to approximately 69.09% by the Cheng Family Trust (which Mr. Cheng Li-Yu is its founder and one of the beneficiaries). Mr. Cheng Li-Yu, together with several of his family members, are beneficially interested in the entire issued share capital of San Li.

Relationship with Sunrise

Sunrise is a company incorporated in Taiwan in 1996 with limited liability. Sunrise is principally engaged in plastic injection moulding of electronic consumer product casings with its production facilities in Taiwan and had approximately 168 employees as at 31st August, 2005. The manufacturing base and the principal market of Sunrise are in Taiwan. The major customers of Sunrise are Taiwanese enterprises engaging in assembling and manufacturing of electronic consumer products with production bases in Taiwan. The products of Sunrise include notebook computer casings, computer plastic components, mobile phone and digital camera plastic components which are mostly ordered by their customers to be delivered in Taiwan. With approximately 39 sets of plastic injection machinery owned by Sunrise and approximately 168 staff of Sunrise, the average monthly output capacity of Sunrise reached approximately 170,000 units of notebook computer casings for the eight months ended 31st August, 2005.

Mr. Cheng Li-Yen, one of the beneficiaries under the Cheng Family Trust, and several of his family members are beneficially interested in 50% of the issued share capital of Sunrise. The remaining 50% interest of Sunrise is owned by two Independent Third Parties.

Relationship with Ta Yu Metallic

Ta Yu Metallic is a company incorporated in Taiwan in 1977 with limited liability. Ta Yu Metallic is principally engaged in metal tooling and stamping of electronic consumer product casings with its production facilities in Taiwan and had approximately 57 employees as at 31st August, 2005. The manufacturing base and the principal market of Ta Yu Metallic are in Taiwan. The major customers of Ta Yu Metallic are Taiwanese enterprises with production bases in Taiwan. The products of Ta Yu Metallic include metal stamping of components for notebook computer, PDA and mobile phone. With approximately 106 sets of metal stamping machinery owned by Ta Yu Metallic and approximately 57 staff of Ta Yu Metallic, the average monthly output capacity of Ta Yu Metallic reached approximately 60,000 units of notebook computer casings for the eight months ended 31st August, 2005.

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Mr. Horng Tsai-Chin, a non-executive Director, and several of his family members are beneficially interested in approximately 93.33% of the entire issued shares of Ta Yu Metallic. The remaining 6.67% interest is owned by an Independent Third Party.

The major customers of San Li, Sunrise and Ta Yu Metallic include Asus and Quanta.

The operations scale in terms of amount of capital investment as at 30th June, 2005 and number of the workers of San Li, Sunrise and Ta Yu Metallic as at 31st August, 2005 are as follows:

	Capital investment <i>(Approximately)</i>	Number of workers <i>(Approximately)</i>	Monthly output capacity <i>(Approximate units of notebook computer casings)</i>
San Li	HK\$18.78 million	317	152,000
Sunrise	HK\$7.04 million	168	170,000
Ta Yu Metallic	HK\$7.04 million	57	60,000

Reasons for exclusion of Sunrise, San Li and Ta Yu Metallic

Set out below are the reasons for excluding the respective operations of Sunrise, San Li and Ta Yu Metallic from our Group:

1. *Geographical delineation*

The principal market of our Group is in the PRC. Most of our sales and deliveries are made in the PRC while most of the sales of Sunrise, San Li and Ta Yu Metallic are made to Taiwan enterprises with production bases in Taiwan and delivered in Taiwan.

Although our Group, San Li, Sunrise and Ta Yu Metallic have certain common customers, our Group's production bases are located in Suzhou and Shanghai, the PRC, whereas the production bases of San Li, Sunrise and Ta Yu Metallic are located in Taiwan. Our Directors note that most of the common customers amongst our Group, San Li, Sunrise and Ta Yu Metallic have established production plants in both the PRC and Taiwan. Our Group generally receives orders from the common customers for products to be delivered to these customers' production plants in the PRC. On the other hand, the products of San Li, Sunrise and Ta Yu Metallic are produced in and mainly sold and delivered in Taiwan.

Notebook computer casing manufacturing involves a lengthy production process and requires a significant amount of labour which constitutes a significant proportion in the cost structure for casing manufacturers. The production plants of our Group located in the PRC offer comparatively lower labour cost and transportation cost, which in turn offer competitive pricing to our customers and hence provide higher potential earnings to our Group. Furthermore, the strategic

location of our Group's production plants (having regard to the location of our customers' manufacturing facilities) enables our Group to provide a shorter supply chain and comprehensive after sales services, such as immediate replacement, to our customers.

Our Directors believe that large scale production of our customers' products generally take place in their PRC production plants to take advantage of the low labour, material transportation and logistics costs in the PRC. Accordingly, our Directors believe that there is a growing trend for these customers to procure most of the casing, parts and components from PRC suppliers for use in their PRC production plants and the proportion of procurement from Taiwan by their PRC production plants are relatively small. Our Directors consider that we are engaged in a different geographical market that serves the different needs of the customers of San Li, Sunrise and Ta Yu Metallic. Therefore, the Directors are of the opinion that (i) the geographical delineation between the PRC and Taiwan is an effective measure to separate the target markets between the Group and San Li, Sunrise and Ta Yu Metallic and (ii) the sales deriving from Taiwan shall not present a direct business competition to our Group.

While our Group has common customers with San Li, Sunrise and Ta Yu Metallic, the Directors confirm that our Group has a different territorial focus in view of different geographical market from San Li, Sunrise and Ta Yu Metallic for the following reasons:

1. the Directors noted that most of the then common customers have established production plants both in the PRC and Taiwan. The territory in which our Group operates is different from that of San Li, Sunrise and Ta Yu Metallic. Nevertheless, although our Group receives orders from our customers both in the PRC and Taiwan, our Group's products are primarily manufactured for domestic delivery in the PRC. Conversely, the products of San Li, Sunrise and Ta Yu Metallic are mainly produced for delivery in Taiwan. For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, (i) approximately nil, 14.8%, 16.3%, 3.5% and 15.6% of the turnover of San Li, was derived from the sale of goods delivered to the PRC respectively; (ii) approximately nil, 6.1%, nil, nil and nil of the turnover of Sunrise was derived from the sale of goods delivered to the PRC, respectively; and (iii) approximately 15.0%, 33.4%, 48.7%, 41.5% and 66.5% of the turnover of Ta Yu Metallic were derived from the sale of goods delivered to the PRC respectively. Although there were certain amount of sales from San Li, Sunrise and Ta Yu Metallic that were delivered to the PRC during the Track Record Period, the non-compete undertakings from the Covenantors shall be sufficient to protect the interests of the Group; and

2. the Directors believe that large scale production of our customers' products generally take place in their PRC production plants in order to take advantage of the lower labour, material transportation and logistics costs in the PRC. Accordingly, these customers usually obtain their supplies locally in the PRC. The Directors believe that there is a growing trend for these customers to procure most of their supplies from PRC suppliers, including our Group, for use in production at their PRC production plants, and the proportion of procurement from Taiwan by their PRC production plants will become relatively smaller.

For the six months ended 30th June, 2005, approximately 15.6%, nil and 66.5% of the turnover of San Li, Sunrise and Ta Yu Metallic respectively, were derived from the sale of goods delivered to the PRC which products were not produced by our Group under our current production technology or production facilities. Notwithstanding that part of the sales of San Li, Sunrise and Ta Yu Metallic from sale of goods delivered in the PRC for the year ended 31st December, 2004 were generated from the sale of products which were not similar to, or competing with, that produced by the Group, under the non-compete undertakings from the Covenantors, they will cease to market, sell, distribute, supply or otherwise provide any of their goods for delivery to the PRC other than to or for our Group after the Listing.

2. Difference in core business and business model

Our Group offers "one-stop" services comprising plastic injection moulding, dust-free spray painting, metal tooling and stamping and assembly. In contrast, each of Sunrise, San Li and Ta Yu Metallic are principally engaged in only one component of the manufacturing process of our Group and with relatively smaller scale of capital investment and labour size and output capacity.

The Directors consider that our ability to offer "one-stop" services with mass production capabilities provides our Group a competitive edge to excel against the businesses of San Li, Sunrise and Ta Yu Metallic. The significance of "one-stop" services lies in the vertical integration combining all production processes thereby achieving economies of scale and production efficiency. Even though there is no conflict in the inclusion of the operations of San Li, Sunrise and Ta Yu Metallic into our Group, their operations nevertheless will not enhance the "one-stop" services with mass production capabilities of the Group, particularly, in terms of time management and smooth transportation given the production bases of these three companies are in Taiwan.

The Directors have taken into account the business prospects of San Li, Sunrise and Ta Yu Metallic. As a result of the higher labour cost and shifting of customers bases from Taiwan to the PRC, the Directors expect a decrease in demand in the Taiwan market and therefore consider that the acquisitions of San Li, Sunrise or Ta Yu Metallic by our Group are not in the interests of our Group and our Shareholders.

Given the difference in the business model and the cost structure between our Group and Sunrise, San Li and Ta Yu Metallic and the geographical delineation of our respective businesses, our Directors consider that there is no direct competition between our Group and Sunrise, San Li and Ta Yu Metallic.

Independence of our Group with San Li, Sunrise and Ta Yu Metallic

There is common ownership by Mr. Cheng Li-Yu and Mr. Cheng Li-Yen in our Company, San Li and Sunrise. Mr. Horng Tsai-Chin is a non-executive director of our Company and a substantial shareholder of Ta Yu Metallic. Mr. Cheng Li-Yu's wife is the sole director of Jiu Ding International Limited and San Li. A relative of Mr. Horng Tsai-Chin is a director of Everyday Computer and also the general manager of Ta Yu Metallic. Mr. Horng's son is the sole director of Ta Yu Metallic.

Nevertheless, our Group's business operations are managed by an independent operations team which is subject to the overall supervision of the Board. We have appointed three independent non-executive Directors to carry out supervisory role. Given that Mr. Cheng Li-Yu, Mr. Cheng Li-Yen and Mr. Horng Tsai-Chin are three of the eight Directors that comprise the Board, and their influence over the decisions of the Board in relation to any matter which any of them or their respective associates may have interest will be regulated by our Company's articles of association and the code provisions of the Code on Corporate Governance Practice as set out in the Listing Rules, our Directors consider that the Board will be able to operate independently of Sunrise, San Li and Ta Yu Metallic.

Save as aforesaid, our Group's management, operation and financial departments and personnel, which are responsible for the management and daily operations of our Group, are independent of, and not connected with, any of the management of San Li, Sunrise and Ta Yu Metallic, and the business operations and decisions of our Group are performed or made independently from San Li, Sunrise and Ta Yu Metallic. The business operations of our Group are mainly located in the PRC, whereas the business operations of San Li, Sunrise and Ta Yu Metallic are mainly located in Taiwan. Save as aforesaid, they have their own employees and there is no overlapping of operations between our Group, San Li, Sunrise and Ta Yu Metallic and there is no financial assistance to/from our Group with any of them.

To further enhance the independence of our Group's business operations and management from that of San Li, Sunrise and Ta Yu Metallic, each of Mr. Cheng Li-Yu and Mr. Horng Tsai-Chin had resigned from their former directorships in San Li and Ta Yu Metallic respectively; and thereafter none of Mr. Cheng Li-Yu, Mr. Cheng Li-Yen and Mr. Horng Tsai-Chin remained as directors of San Li, Sunrise and Ta Yu Metallic as at the Latest Practicable Date and they will not be involved in the daily operations and management of San Li, Sunrise and Ta Yu Metallic except for attending shareholders' meeting. As the respective controlling shareholders of San Li, Sunrise and Ta Yu Metallic,

each of Mr. Cheng Li-Yu, Mr. Cheng Li-Yen and Mr. Horng Tsai-Chin will procure the respective board of directors of San Li, Sunrise and Ta Yu Metallic to formulate its own internal control policies to ensure that their respective management and employees will comply with the non-compete undertakings as set out in the paragraph “Non-compete undertakings” below. As directors of other members of our Group, Mr. Cheng Li-Yu, Mr. Cheng Li-Yen and Mr. Horng Tsai-Chin will also devote such amount of their time, attention and abilities as may reasonably be required to administer, supervise and manage the business of our Group.

Our Directors believe that in terms of business operation, financial operation, management and human resources, our Group is independent of San Li, Sunrise and Ta Yu Metallic.

Non-compete undertakings

As stated in the paragraphs headed “Relationship with San Li”, “Relationship with Sunrise” and “Relationship with Ta Yu Metallic” above, San Li, Sunrise, Ta Yu Metallic and our Group operate in different geographical markets and under different business models that do not directly compete with each other. Each of San Li, Sunrise and Ta Yu Metallic has confirmed that they have no intention to operate its business in the PRC. The business of our Group functions independently of San Li, Sunrise and Ta Yu Metallic. Other than as described in the paragraph headed “Technical support” above to be provided by San Li, Sunrise and Ta Yu Metallic, our Directors do not anticipate that our Group will rely on the support of San Li, Sunrise and Ta Yu Metallic in our daily operations.

In order to further delineate the respective businesses of San Li, Sunrise and Ta Yu Metallic and that of our Group, and to protect our Group from any potential competition from any of them, San Li, Sunrise, Ta Yu Metallic, Mr. Cheng Li-Yu, Mr. Cheng Li-Yen and Mr. Horng Tsai-Chin (collectively, the “Covenantors” and each a “Covenantor”) have given irrevocable non-compete undertakings in our favour on 6th October, 2005 pursuant to which each of the Covenantors has, among other matters, irrevocably, unconditionally and severally undertaken with us that at any time during the Relevant Period (as defined below), each of the Covenantors shall, and shall, to the extent within their respective voting powers in the relevant associate, procure that their respective associates (other than our Group) shall:

- (i) save for the Excluded Business (as defined below), not, directly or indirectly, invest in, be engaged in or participate in any business or activity which will or may compete with the business currently and from time to time engaged by our Group in the PRC (the “Restricted Business”), including but not limited to the marketing, sales, distribution and/or supply of any product in the PRC;

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- (ii) not directly or indirectly market, sell, distribute and/or supply any product to any person(s) outside the PRC where he/it and/or any of his/its associates knows that such products are destined to be sold, distributed or supplied within the PRC;
- (iii) not solicit any existing or then existing employee of our Group for employment by him/it and/or his/its associates (excluding our Group);
- (iv) not, without our consent, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as our controlling Shareholder and Director or, as the case may be, their respective associates for the purpose of competing with the Restricted Business and the business of our Group from time to time;
- (v) in respect of any order undertaken by him/it and/or his/its associates for the sales, distribution, and/or supply of any product currently and from time to time manufactured by our Group (the "Relevant Products") in or to the PRC, unconditionally use reasonable endeavours to procure that such customer(s) appoint or contract directly to our Group for the sales and/or supply of the Relevant Products under the relevant order in the PRC; and
- (vi) in respect of any new business opportunity identified, being proposed or offered to participate by him/it and/or his/its associates for the carrying on, investment in or engagement in any principal business (the "New Business Opportunity") currently and from time to time engaged by our Group in a territory (the "Relevant Territory") other than the PRC and Taiwan, including but not limited to the marketing, sales, distribution and/or supply of the Relevant Products or any of them in the Relevant Territory, refer, or shall procure his/its associates or (where such New Business Opportunity has been proposed or offered to him/it and/or his/its associates by a third party) such third party to refer, such New Business Opportunity to our Group by giving a written notice (which shall contain all information of, and the relevant terms and conditions for, the New Business Opportunity obtained thereby) (the "Referral Notice") within 14 days after he/it and/or his/its associate(s) has identified, has been proposed or offered to participate in the New Business Opportunity. If we (for ourselves and on behalf of other members of our Group) decline to proceed with or participate in all or any of the New Business Opportunities by written notice within 30 days after the date of receipt of the Referral Notice, the relevant Covenantor and/or the relevant associates may participate in or proceed with the New Business Opportunity to the extent that it has been declined by our Group and on terms no more favourable than that specified in the Referral Notice.

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Under the non-compete undertakings, the Covenantors further undertake to our Company the following:

- (i) the Covenantors shall allow, and shall procure that the relevant associates (excluding our Group) to allow, our Directors and auditors to have access to such financial records of such Covenantors and/or their respective associates as may be necessary for our Company to determine whether the terms of the non-compete undertakings have been complied with;
- (ii) each of the Covenantors shall undertake, and shall procure their respective associates (other than our Group) to undertake, such development of new technologies or know-how in their respective areas of specialisation as may be from time to time required by our Group; and
- (iii) each of the Covenantors shall provide to us with an annual confirmation for inclusion by us in our annual report, in respect of their compliance with the terms of the non-compete undertakings.

The independent committee of the Board that comprises the three independent non-executive Directors shall consider and determine whether our Group shall proceed with all or any part of the New Business Opportunity pursuant to the first right of refusal as described in the above paragraph. In the event that we decide not to proceed with all or any of the New Business Opportunity, we shall announce such decision by way of announcement setting out our reasons for not taking up such New Business Opportunity.

Our Directors and the Sponsors consider that the terms of the non-compete undertakings are fair and reasonable as far as our Company and the Shareholders are concerned.

For the above purpose:

- (A) the “Relevant Period” means the period commencing from the Listing Date and shall expire on the earliest of the dates below:
 - (a) in relation to Mr. Cheng Li-Yu and Mr. Cheng Li-Yen, the date on which any of them and/or their respective associates (other than our Group) directly or indirectly hold or control, in aggregate, less than 30% of the issued share capital of our Company;
 - (b) in relation to Mr. Horng Tsai-Chin, the date on which he ceases to be a Director;
 - (c) in relation to San Li, the date on which Mr. Cheng Li-Yu and/or his associates (other than our Group) ceases to directly or indirectly hold or control, in aggregate, 30% or more of the issued share capital of San Li or our Company;

BUSINESS

- (d) in relation to Sunrise, the date on which Mr. Cheng Li-Yen and/or his associates (other than our Group) ceases to directly or indirectly hold or control, in aggregate, 30% or more of the issued share capital of Sunrise or our Company;
 - (e) in relation to Ta Yu Metallic, the date on which Mr. Horng Tsai-Chin and/or his associates (other than our Group) ceases to hold or control, in aggregate, 30% or more of the issued share capital of Ta Yu Metallic or Mr. Horng Tsai-Chin ceases to be a Director; or
 - (f) the date on which the Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange;
- (B) the “Excluded Business” means any of the following businesses:
- (a) the direct or indirect investments of any Covenantor and/or his/its associates (excluding our Group) in any member of our Group; or
 - (b) the supply and/or provision of any products by any Covenantor and/or his/its associates (excluding our Group) to or for our Group in the PRC.

No intention of our Group to acquire the equity interests of San Li, Sunrise and/or Ta Yu Metallic

Taking into account the reasons as set out in the paragraph headed “Reasons for exclusion of Sunrise, San Li and Ta Yu Metallic” above, our Directors have no current intention to acquire the equity interests in San Li, Sunrise and/or Ta Yu Metallic. It is not currently our Company’s plan to acquire any of these companies.

Disclaimer

Save as disclosed in this prospectus, none of our Directors or controlling Shareholder and their respective associates has any business or interests that competes or may compete with the business of our Group.

CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions

Prior to the listing of the Shares on the Main Board, our Group has entered into various transactions with certain connected persons (as defined under the Listing Rules) of our Company. Some of these transactions will continue after the listing of Shares on the Main Board and will constitute continuing connected transactions (as defined under the Listing Rules) of our Company.

We set out below the relationships between our Group and each of the connected persons and details of these continuing connected transactions.

Relationship between our Group and each of the connected persons

San Li is principally engaged in dust-free spray painting of electronic consumer product casings in Taiwan. Mr. Cheng Li-Yu, an executive Director, together with several of his family members, are beneficially interested in the entire issued share capital of San Li. San Li is therefore a connected person of our Company.

Sunrise is principally engaged in plastic injection moulding of electronic consumer product casings in Taiwan. Mr. Cheng Li-Yen, an executive Director, together with several of his family members, are beneficially interested in 50% of the issued share capital of Sunrise. Sunrise is therefore a connected person of our Company.

Ta Yu Metallic is principally engaged in metal tooling and stamping of electronic consumer product casings in Taiwan. Mr. Horng Tsai Chin, a non-executive Director, together with several of his family members, are beneficially interested in approximately 93.33% of the entire issued share of Ta Yu Metallic. Ta Yu Metallic is therefore a connected person of our Company.

Ms. Lin Mei-Li ("Ms. Lin") is the spouse of Mr. Cheng Li-Yu, an executive Director, and is therefore a connected person of our Company.

三昶有限公司 (transliterated as San Changs Company Limited) ("San Changs") is a company incorporated in Taiwan with limited liability and principally engaged in the processing of computer accessories in Taiwan. It is owned as to 15%, 7% and 12.5% by Ms. Lin, Mr. Cheng Li-Yen and Mr. Huang Kuo-Kuang and is therefore a connected person of our Company.

Under the Listing Rules, for so long as each of San Li, Sunrise, Ta Yu Metallic, San Changs and Ms. Lin remains as a connected person of our Company, the relevant transaction(s) as described below would constitute continuing connected transactions upon the listing of the Shares on the Main Board.

(a) Continuing connected transactions exempt from announcement and independent Shareholders' approval requirements

Lease of staff quarters and office premises by Ms. Lin to our Group

Gi Li entered into three tenancy agreements with Ms. Lin on 1st January, 2005, 1st March, 2005 and 1st September, 2005, respectively, pursuant to which Ms. Lin leased to Gi Li (i) a residential unit situated at the penthouse of a composite building located at No. 283-2 Min An Road, Hsin Chuang City, Taipei County, Taiwan, (ii) a residential unit on Level 4 of a composite building located at No. 312 Min An Road, Hsin Chuang City, Taipei County, Taiwan with gross floor area of approximately 36.24 sq.m. and 66 sq.m. respectively, and (iii) the office premises situated at Level 1 of a composite building situated at No. 287 Min An Road, Hsin Chuang City, Taipei County, Taiwan with a gross floor area of

approximately 72.98 sq.m.. These residential units are used as staff quarters of our Group in Taiwan and the office premises are used as the administration and marketing office of our Group in Taiwan.

Each of these residential units is leased to Gi Li for a term of one year commencing from 1st January, 2005 and expiring on 31st December, 2005 and from 1st March, 2005 to 28th February, 2006 respectively at an aggregate monthly rent of NT\$13,000. Any property or land tax arising therefrom is borne by Ms. Lin whilst the public utilities charges are borne by Gi Li.

The office premises are leased to Gi Li for a term of one year commencing from 1st September, 2005 and expiring on 31st August, 2006 at a monthly rental of NT\$20,000. Any property or land tax arising therefrom is borne by Ms. Lin whilst the public utilities charges are borne by Gi Li.

Lease of staff quarters by Mr. Cheng Li-Yu to our Group

Gi Li entered into a tenancy agreement with Mr. Cheng Li-Yu on 1st January, 2005 pursuant to which Mr. Cheng Li-Yu leased to Gi Li a residential unit situated at the Level 3 of No. 2, Lane 83, Cheng Gong Road, Hsin Chuang City, Taipei County, Taiwan with gross floor area of approximately 108.41 sq.m.. The residential unit is used as staff quarters of our Group in Taiwan.

The residential unit is leased to Gi Li for a term of one year commencing from 1st January 2005 and expiring on 31st December 2005 at a monthly rental of NT\$11,000. Any property or land tax arising therefrom is borne by Mr. Cheng Li-Yu whilst the public utilities charges are borne by Gi Li.

Purchases of production materials from San Changs

During the Track Record Period, our Group had from time to time purchased production materials for production purpose from San Changs. For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, our Group's purchases of production materials from San Changs amounted to approximately nil, HK\$1,000, HK\$140,000, HK\$38,000 and HK\$109,000 respectively.

The above purchases made by our Group from San Changs are expected to continue following the Listing. The purchases of the production materials from San Changs are in ordinary course of business of our Group and on normal commercial terms which the Directors (including the independent non-executive Directors) and the Sponsors consider to be fair and reasonable and are the interests of the Shareholders and our Group as a whole.

Sales of our products to Ta Yu Metallic

During the Track Record Period, our Group had from time to time sold our products to Ta Yu Metallic. For each of the three years ended 31st December, 2004 and the six months ended 30th June 2004 and 30th June, 2005, our sales to Ta Yu Metallic amounted to approximately nil, HK\$68,000, HK\$13,000, nil and nil, respectively.

The above sales to Ta Yu Metallic are expected to continue following the Listing. The sales of our Group's products to Ta Yu Metallic are in ordinary course of business of our Group and on normal commercial terms which the Directors (including the independent non-executive Directors) and the Sponsors consider to be fair and reasonable and are in the interests of our Group and our Shareholders as a whole.

The above continuing connected transactions will constitute continuing connected transactions under Rule 14A.33 of the Listing Rules and are exempt from the announcement and independent Shareholders' approval requirement because each of these continuing connected transactions is on normal commercial terms and each of the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) (other than the profits ratio) is, on an annual basis, less than 0.1%.

(b) Continuing connected transactions exempt from independent Shareholders' approval requirements***(i) Sales of our Group's products and production materials to San Li and Sunrise***

During the Track Record Period, our Group had from time to time sold its products to San Li. Our Group's products had been sold on normal commercial terms and were no more favourable than those available to Independent Third Party purchasers. Starting from August 2004, our Group has been selling certain production materials to Sunrise on normal commercial terms and on terms no more favourable than those available to our Independent Third Party purchasers.

The above sales (the "Relevant Sales") by our Group to San Li and Sunrise are expected to continue following the Listing. Our Group will continue to sell its products and production materials to San Li and Sunrise on normal commercial terms and in any event no more favourable than those available to our Independent Third Party purchasers.

Sales to San Li

For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, sales of our Group's products to San Li amounted to approximately HK\$30,817,000, HK\$6,504,000, HK\$1,114,000, HK\$705,000 and HK\$387,000 respectively (approximately nil, HK\$3,817,000, HK\$1,029,000, HK\$630,000 and HK\$387,000 of which were sales of Gi Li during the Track Record Period. Gi Li has become a member of our Group since 26th November, 2003).

The large decrease in sales to San Li from approximately HK\$30.8 million in 2002 to approximately HK\$1.1 million in 2004 was due to the fact that certain customers of San Li had purchased from San Li a large number of certain parts and components of notebook computer casings, the specifications of which involved the application of the metallic stamping moulds and plastic injection moulds solely owned by our Group. Therefore San Li had to procure such parts and/or components from our Group, which resulted in the large amount of sales to San Li from our Group during 2002. As there was no such orders placed to San Li for each of the two years ended 31st December, 2004, the sales of our Group to San Li for each of the two years ended 31st December, 2004 amounted to approximately HK\$3 million and HK\$1 million respectively. During the six months ended 30th June, 2005, sales to San Li amounted to approximately HK\$0.4 million. Based on our past experience, our Group's sales to San Li in the second half of 2005 would be higher and will fall within the range between HK\$1 million and HK\$2 million for the year ended 31st December, 2005.

Sales to Sunrise

For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, sales of our Group's products to Sunrise amounted to nil, nil, HK\$1,842,000, HK\$24,000 and HK\$2,461,000 respectively (approximately nil, nil, HK\$1,842,000, HK\$24,000 and HK\$2,296,000 of which were sales of Gi Li during the Track Record Period. Gi Li has become a member of our Group since 26th November, 2003).

As our Group has only commenced its sale of certain special models of plastic production materials to Sunrise since August 2004, no sales was recorded for the two years ended 31st December, 2003 and such sale for the first half of 2005 had increased substantially to approximately HK\$2.5 million compared with HK\$24,000 for the first half of 2004. Taking into account the increasing sales volume to Sunrise since August 2004 and the expected increase in our Group's turnover in the second half of 2005, the Directors consider that it is reasonable to set the cap at HK\$9 million for 2005 and the cap is expected to remain at the same level thereafter.

Pursuant to an agreement (the "San Li Sales Agreement") dated 6th October, 2005 and entered into between our Group as vendor and San Li as purchaser, and to an agreement (the "Sunrise Sales Agreement") dated 6th October, 2005 and entered into between our Group as vendor and Sunrise as purchaser, our Group agreed to sell (i) our products to San Li; and (ii) plastic production materials to Sunrise at prices to be determined from time to time by the parties with reference to the market prices and on such terms of sales based principally on the standard terms of sales of our Group available from time to time, provided that such terms are on normal commercial terms and are no more favourable as those applicable to the sale of the same type of products or plastic production materials to Independent Third Parties. The San Li Sales Agreement and Sunrise Sales Agreement have a term expiring on 31st December, 2007 unless terminated earlier by three months' written notice by either party.

Annual monetary cap for the three years ending 31st December, 2007

It is expected that the annual sales by our Group to San Li and Sunrise under the Relevant Sales pursuant to the San Li Sales Agreement or, as the case may be, the Sunrise Sales Agreement for each of the three years ending 31st December, 2007 will not exceed 2.5% of each of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) and will not exceed the following annual monetary caps:

Parties	Annual monetary cap for the year ending 31st December,		
	2005	2006	2007
	(HK\$'million)	(HK\$'million)	(HK\$'million)
San Li	2	3	3
Sunrise	9	9	9

The annual monetary caps were based on the sales made to San Li for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2005 and sales made to Sunrise for the year ended 31st December, 2004 and the six months ended 30th June, 2005, the projected rate of growth of our business as well as that of San Li and Sunrise after taking into account the increasing global demand of notebook computer for the three years ending 31st December, 2007 and the expected increase in market share to be acquired by our Group for the three years ending 31st December, 2007 by way of expansion of the production capacity of our Group for capturing the future demand.

The Directors (including the independent non-executive Directors) consider that the basis of the relevant annual caps of the Relevant Sales are fair and reasonable.

Reasons for the Relevant Sales

Our Group had sold certain of our products to San Li for the three years ended 31st December, 2004 and the six months ended 30th June, 2005. As these products are principally parts and components of notebook computer casings which are manufactured by using the metallic stamping moulds and plastic injection moulds solely owned by our Group, San Li can purchase such designated parts and components of these notebook computer casings from our Group only. The Directors consider that the amount of sales to San Li under the San Li Sales Agreement will not be material to our Group's total turnover.

Our Group has obtained three special models of plastic production materials from one of its suppliers for our own production purposes since August 2004. As Sunrise is one of the customers of such models of production materials, it has obtained supply of such production materials via our Group since then. Therefore, for its own production use and then sales to its customers in Taiwan, Sunrise is required to obtain supply of such production materials from our Group since August 2004 and such sales by our Group is expected to continue after the Listing. The Directors consider that the amount of sales to Sunrise under the Sunrise Sales Agreement will not be material to our Group's total turnover.

Waiver

The above continuing connected transactions of our Group under the Relevant Sales pursuant to the San Li Sales Agreement or, as the case may be, the Sunrise Sales Agreement, are on normal commercial terms and are entered into in the ordinary course of our Group's business. Such continuing connected transactions are normally subject to the reporting and announcement requirements as set out under Rules 14A.45 to 14A.47 of the Listing Rules. A waiver from strict compliance with the relevant announcement requirements under the Listing Rules has been granted by the Stock Exchange in respect of each of the above continuing connected transactions.

(ii) Purchases from Sunrise, Ta Yu Metallic and San Li

During the Track Record Period, our Group had from time to time purchased production materials and/or moulds for production purposes from Sunrise, Ta Yu Metallic and San Li.

The above purchases (the "Relevant Purchases") made by our Group from Sunrise, Ta Yu Metallic and San Li are expected to continue following the Listing. Each of Sunrise, Ta Yu Metallic and San Li has agreed that it will continue to supply production materials and moulds on normal commercial terms and at selling prices not higher than those charged to our Independent Third Party purchasers from time to time.

Purchases from San Li

For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, purchases of production materials and moulds from San Li amounted to approximately HK\$27,173,000, HK\$26,231,000, HK\$15,835,000, HK\$2,546,000 and HK\$7,651,000 respectively (approximately HK\$17,844,000, HK\$26,231,000, HK\$15,835,000, HK\$2,546,000 and HK\$7,651,000 of which were purchases of Gi Li during the Track Record Period. Gi Li has become a member of our Group since 26th November, 2003).

Decrease in purchase of production materials from San Li from 2002 to 2004 was due to the fact that certain of the production materials previously produced by San Li could now be produced by our Group independently. However, taking into account the existing production capacity of our Group for the production materials which San Li also provides, the expected growth rate of our Group based on the growing demand of notebook computers and expected increase in market share of our Group as well as orders (previously undertaken by San Li) referred by San Li to our Group under the relevant non-compete undertaking, the Directors expect that purchases from San Li will increase in line with the expected growth rate of our Group for the three years ending 31st December, 2007. Accordingly, purchases from San Li for the first half of 2005 had increased substantially to approximately HK\$7.6 million compared with approximately HK\$2.5 million for the first half of 2004. As such, the Directors expect that purchases from San Li will continue to increase and will fall within the cap of HK\$23 million during the year ending 31st December, 2005.

Purchases from Ta Yu Metallic

For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, purchases of production materials and moulds from Ta Yu Metallic amounted to approximately HK\$23,112,000, HK\$32,081,000, HK\$7,833,000, HK\$5,694,000 and HK\$433,000 respectively (approximately HK\$835,000, HK\$11,490,000, HK\$7,817,000, HK\$5,694,000 and HK\$433,000 of which were purchases of Gi Li during the Track Record Period. Gi Li has become a member of our Group since 26th November, 2003).

In 2003, purchase of production materials from Ta Yu Metallic increased to approximately HK\$32 million which was in line with the turnover growth of our Group. The substantial decrease in purchase of production materials from Ta Yu Metallic in 2004 was due to the fact that certain of the production materials previously produced by Ta Yu Metallic could now be produced by our Group independently. Although purchases of production materials from Ta Yu Metallic dropped to approximately HK\$0.4 million for

the six months ended 30th June, 2005 from that of approximately HK\$5.7 million in 2004, taking into account that (i) the existing production capacity of our Group for the production materials, which can also be provided by Ta Yu Metallic, cannot fulfill the demand of our Group for such production materials in 2005; and (ii) certain of the production materials must be provided by Ta Yu Metallic due to the specific requirements of our Group's customers, the Directors expect that the demand of the production materials from Ta Yu Metallic will increase in line with the turnover of our Group in 2005. The Directors also expect that, taking into account the future development of the production facilities of our Group, the expected growth rate of our Group based on the growing demand of notebook computers and the increasing procurement from other suppliers, the purchases from Ta Yu Metallic will slightly increase during the year ending 31st December, 2005 but they will remain steady thereafter.

Purchases from Sunrise

For each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, purchases of production materials from Sunrise amounted to approximately HK\$90,000, HK\$7,524,000, HK\$6,865,000, HK\$5,295,000 and HK\$1,069,000 respectively (approximately HK\$48,000, HK\$7,524,000, HK\$6,865,000, HK\$5,295,000 and HK\$1,069,000 of which were purchases of Gi Li during the Track Record Period. Gi Li has become a member of our Group since 26th November, 2003).

The increase in the purchases of production materials from Sunrise from approximately HK\$90,000 in 2002 to approximately HK\$7 million in 2004 was in line with the turnover growth of our Group. Although our Group recorded purchases from Sunrise amounted to approximately HK\$1.1 million for the six months ended 30th June, 2005, representing a decrease of approximately HK\$4.2 million or approximately 80% from that of approximately HK\$5.2 million for the corresponding period in 2004, taking into account the global demand of notebook computers, the expected increase in market share and orders (previously undertaken by Sunrise) referred by Sunrise to our Group under the relevant non-compete undertaking, the Directors expect that purchases from Sunrise will increase in line with the expected growth rate of turnover and will fall within the cap of HK\$10 million during the year ending 31st December, 2005.

Pursuant to an agreement (the "San Li Purchases Agreement") dated 6th October, 2005 and entered into between our Group as purchaser and San Li as vendor, an agreement (the "Ta Yu Purchases Agreement") dated 6th October, 2005 and entered into between our Group as purchaser and Ta Yu Metallic as vendor and another agreement (the "Sunrise Purchases Agreement") dated 6th October, 2005 and entered into between our Group as purchaser and Sunrise as vendor, our Group agreed to purchase the production materials and moulds from time to time produced or supplied by each of San Li, Ta Yu Metallic and Sunrise at prices to be from time to time determined by the relevant parties with

reference to the market prices and on such terms of purchases based principally on their respective standard terms of sales from time to time, provided that such terms are on normal and usual commercial terms and are no less favourable as those applicable to the sale of the same type of production materials and/or moulds by each of them to independent third parties. Each of the San Li Purchases Agreement, the Ta Yu Purchases Agreement and the Sunrise Purchases Agreement have a term expiring on 31st December, 2007 unless terminated earlier by three months' written notice by either parties.

Annual monetary caps for the three years ending 31st December, 2007

It is expected that the annual purchases by our Group from San Li, Sunrise and Ta Yu Metallic under the Relevant Purchases pursuant to the San Li Purchases Agreement, the Ta Yu Purchases Agreement or, as the case may be, the Sunrise Purchases Agreement for each of the three years ending 31st December, 2007 will not exceed 2.5% of each of the percentage ratios and will not exceed the following annual applicable monetary caps:

Parties	Annual monetary cap for the year ending 31st December,		
	2005	2006	2007
	(HK\$'million)	(HK\$'million)	(HK\$'million)
San Li	23	30	35
Sunrise	10	13	15
Ta Yu Metallic	11	11	11

The annual monetary caps were concluded by reference to the purchases made from San Li, Sunrise and Ta Yu Metallic for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2005, the projected rate of growth of our business as well as San Li after taking into account the increasing global demand of notebook computers for the three years ending 31st December, 2007 and the expected increase in market share to be acquired by our Group for the three years ending 31st December, 2007 by way of expansion of the production capacity of our Group for capturing the future demand. The Directors also consider that there will be an increase of painting products from San Li due to the newly invented dust-free painting technology available to San Li which will increase the demand for purchases from San Li for the three years ending 31st December, 2007 under the San Li Purchases Agreement. The Directors expect that there will be a decrease in the reliance of metallic products from Ta Yu Metallic which will reduce the relative demand for purchases from Ta Yu Metallic for the years 2005 and 2006 under the Ta Yu Purchases Agreement.

The Directors (including the independent non-executive Directors) consider that the basis of the relevant annual monetary caps of the Relevant Purchases are fair and reasonable.

Reasons for the Relevant Purchases

Our Group, San Li, Sunrise and Ta Yu Metallic have certain customers which have historically generally requested their purchase of the requisite production materials from those suppliers designated by these customers for production purpose. As a result, our Group, San Li, Sunrise and Ta Yu Metallic have certain common suppliers. Since San Li, Sunrise and Ta Yu Metallic could obtain bulk discounts when purchasing these production materials, they have historically obtained the requisite production materials from these suppliers which are mainly located in Taiwan for our Group, and re-offered the same on similar terms to our Group, which has resulted in our Group paying lower prices than if we had purchased the requisite production materials directly from the designated suppliers. Had the above bulk discounts been unavailable to our Group during the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, our Group's profit before tax would have been reduced by approximately HK\$3.09 million, HK\$1.97 million, HK\$3.01 million, HK\$1.31 million and HK\$0.92 million, respectively based on the average discount rate of 10% and on the assumption that all these purchases were fully utilised in the course of production and the finished products were sold during the respective year.

For the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005:

- (i) the relevant purchases from San Li by our Group amounted to approximately HK\$27,173,000, HK\$26,231,000, HK\$15,835,000, HK\$2,546,000 and HK\$7,651,000 respectively (approximately HK\$17,844,000, HK\$26,231,000, HK\$15,835,000, HK\$2,546,000 and HK\$7,651,000 of which were purchases of Gi Li during the Track Record Period. Gi Li has become a member of our Group since 26th November, 2003), representing approximately 4.0%, 4.9%, 3.5%, 1.1% and 4.7% of the total sales of San Li of approximately HK\$675,089,000, HK\$531,299,000, HK\$455,988,000, HK\$224,963,000 and HK\$164,046,000 for the same period;
- (ii) the relevant purchases from Sunrise by our Group amounted to approximately HK\$90,000, HK\$7,524,000, HK\$6,865,000, HK\$5,295,000 and HK\$1,069,000 respectively (approximately HK\$48,000, HK\$7,524,000, HK\$6,865,000, HK\$5,295,000 and HK\$1,069,000 of which were purchases of Gi Li during the Track Record Period. Gi Li has become a member of our Group since 26th November, 2003), representing approximately 0.1%, 6.8%, 6.1%, 11.2% and 2.2% of the total sales of Sunrise of approximately HK\$137,999,000, HK\$110,449,000, HK\$112,038,000, HK\$47,101,000 and HK\$48,623,000 for the same period; and

- (iii) the relevant purchases from Ta Yu Metallic by our Group amounted to approximately HK\$23,112,000, HK\$32,081,000, HK\$7,833,000, HK\$5,694,000 and HK\$433,000 respectively (approximately HK\$835,000, HK\$11,490,000, HK\$7,817,000, HK\$5,694,000 and HK\$433,000 of which were purchases of Gi Li during the Track Record Period. Gi Li has become a member of our Group since 26th November, 2003), representing approximately 11.1%, 12.3%, 2.5%, 4.1% and 0.3% of the total sales of Ta Yu Metallic of approximately HK\$207,986,000, HK\$260,629,000, HK\$309,412,000, HK\$138,519,000 and HK\$134,307,000 for the same period.

As each of San Li, Sunrise and Ta Yu Metallic had re-sold the production materials purchased from the relevant suppliers to our Group at cost, none of San Li, Sunrise and Ta Yu Metallic had generated profit from the Relevant Purchases during the Track Record Period.

As the terms and conditions of the purchases from San Li, Sunrise and Ta Yu Metallic were on an arm's length basis and on normal commercial terms, the Directors consider that the arrangement under each of the San Li Purchases Agreement, the Ta Yu Purchases Agreement and the Sunrise Purchases Agreement is in the best interests of our Group and the Shareholders as a whole. The Directors confirm that all future purchases from San Li, Sunrise and Ta Yu Metallic and each of the San Li Purchases Agreement, the Ta Yu Purchases Agreement and the Sunrise Purchases Agreement will continue to be made on normal commercial terms.

Waiver

The above continuing connected transactions of our Group pursuant to each of the San Li Purchases Agreement, the Ta Yu Purchases Agreement and the Sunrise Purchases Agreement are normally subject to the reporting and announcement requirements as set out under Rules 14A.45 to 14A.47 of the Listing Rules. A waiver from strict compliance with the relevant announcement requirements of the Listing Rules has been granted by the Stock Exchange in respect of the above continuing connected transactions.

Application for waivers

(a) Reasons for the application

Given that the continuing connected transactions as set out in sub-paragraph (b) under the paragraph headed "Continuing connected transactions" above will continue after the Listing on a recurring basis and that the agreements governing each of these continuing connected transactions were entered into in the ordinary and usual course

of business of our Group and were made on an arm's length basis, on normal commercial terms and are fair and reasonable so far as the Shareholders as a whole is concerned, the Directors, including the independent non-executive Directors, consider that strict compliance with the announcement requirements under the Listing Rules would be unduly burdensome and impracticable on each occasion when any such individual transaction is entered into.

Accordingly, we have applied to the Stock Exchange for, and have been granted by the Stock Exchange, a waiver from strict compliance with the relevant announcement requirements under the Listing Rules in respect of these continuing connected transactions.

(b) *Compliance with applicable rules set out in Chapter 14A of the Listing Rules*

We shall comply with the applicable rules set out in Chapter 14A of the Listing Rules in relation to the continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as at the date of this prospectus to the continuing connected transactions, our Company shall take immediate steps to ensure compliance with such requirements within a reasonable period.

(c) *The Directors' and the Sponsors' view on the continuing connected transactions*

The Directors (including our independent non-executive Directors) are of the opinion that the San Li Sales Agreement, the Sunrise Sales Agreement, the San Li Purchases Agreement, the Ta Yu Purchases Agreement and the Sunrise Purchases Agreement and the continuing connected transactions contemplated thereunder as described in this section, have been and will be entered into in the ordinary and usual course of our business, based on arm's length negotiation and on normal commercial terms that were fair and reasonable and in the interest of our Company and the Shareholders as a whole, and that the proposed annual monetary caps for the continuing connected transactions as set out in the paragraph headed "Continuing connected transactions exempt from independent Shareholders' approval requirement" above are fair and reasonable.

The Sponsors concurred with the opinion of the Directors as mentioned above that the San Li Sales Agreement, the Sunrise Sales Agreement, the San Li Purchases Agreement, the Ta Yu Purchases Agreement and the Sunrise Purchases Agreement and the continuing connected transactions in the paragraph headed "Continuing connected transactions" above have been and will be entered into in the ordinary and usual course of business of our Group, conducted on arm's length basis and on normal

commercial terms, are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and that the proposed annual monetary caps for the continuing connected transactions as set out in the paragraph headed “Continuing connected transactions exempt from independent Shareholders’ approval requirements” above are fair and reasonable.

COMPETITION

Our Group is principally engaged in the manufacturing of casings for notebook computers, digital cameras, LCD PCs and game consoles. The production processes comprise of plastic injection moulding, metal tooling and stamping, dust-free spray painting and assembly. The Directors consider that the manufacturing of casings for notebook computers, LCD PCs, digital cameras and game consoles are dominated by a handful of Taiwanese manufacturers while there are different small manufacturers in the PRC. The Directors believe that our Group is one of the major players in the notebook computer casings manufacturing industry in terms of our production scale. However, the Directors consider that entry barriers to the business of our Group are insignificant in the PRC as the requirements for conducting such business are minimal. Small size enterprises and companies may have the capability to undertake such similar business to that of our Group. We are of the opinion that there are numerous manufacturers in the PRC capable of competing in the industry in which our Group is engaged which may have an adverse effect on the profitability of our Group’s business. Nevertheless, the Directors believe that our Group is well positioned to face such competition as a result of our competitive strength in quality control, provision of “one-stop” services in casing manufacturing and established relationships with the major OEM and ODM manufacturer of electronic consumer products.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group was the registered owner of and/or had applied for registration of its trademarks 巨騰 JU TENG and  in the PRC, Taiwan, Hong Kong and Japan. Particulars of our Group’s intellectual property rights are set out in the paragraph headed “Intellectual property rights of our Group” in Appendix VII to this prospectus.

INSURANCE

Our Group does not maintain any insurance for product liability or third party liability. The Directors are not aware of any major third party liability claim or material accident compensation claim filed against any member of our Group during the Track Record Period and up to the Latest Practicable Date.

The Directors are of the view that the sums insured by property insurance policies taken out by our Group are sufficient to cover the exposure of the costs of its plants.

DIRECTORS, MANAGEMENT AND STAFF

DIRECTORS

Executive Directors

Mr. Cheng Li-Yu (鄭立育), aged 47, 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. He has actively participated in the strategic planning and corporate management of our Group during the Track Record Period. Mr. Cheng is responsible for our Group's overall corporate strategy, operation management, market planning and our 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 51, 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. He has actively participated in the expansion of the Group's production plants during the Track Record Period. Mr. Cheng is responsible for our Group's overall resource planning and plant development. He was appointed as an executive Director on 10th June, 2005.

Mr. Huang Kuo-Kuang (黃國光), aged 45, is an executive Director. He joined our Group in February 2001 as a member of the Group's senior management and has been responsible for the our Group's daily operations and for overseeing our Group's procurement and operation management of two of its major operating subsidiaries in the PRC, namely, Everyday Computer and Suzhou Dazhi, since their establishment. He was appointed as a director 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 our Group's procurement and operation management. Mr. Huang was appointed as an executive Director on 10th June, 2005.

Mr. Tsui Yung Kwok (徐容國), aged 36, is an executive Director, the chief financial officer and the company secretary of our Group on a full time basis and is responsible for the overall financial management and company secretarial functions of our 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 Ernst & Young in Hong Kong and had over 10 years' experience in auditing and providing corporate advisory services. Prior to his joining of our Group, Mr. Tsui had been the executive-in-charge for the auditing of the financial statements of our Group from July 2003 to September 2003 during his employment with Ernst & Young in Hong Kong. Mr. Tsui was appointed as an executive Director on 10th June, 2005.

DIRECTORS, MANAGEMENT AND STAFF

Non-executive Director

Mr. Horng Tsai-Chin (洪再進), aged 53, 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 our Group. Mr. Horng has actively participated in the formulation of the overall business development, corporate management, strategic planning and decision making of our Group. Mr. Horng was appointed as a non-executive Director on 17th June, 2005.

Independent non-executive Directors

Mr. Yu Chwo-Ming (于卓民), aged 50, 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 17th June, 2005.

Mr. Tsai Wen-Yu (蔡文預), aged 52, 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 17th June, 2005.

Mr. Lo Ching Pong (盧正邦), aged 55, is an independent non-executive Director. He graduated 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 17th June, 2005.

OTHER SENIOR MANAGEMENT

Mr. Lo Jung-Te (羅榮德), aged 45, joined our Group in 2004 as senior vice president. He is responsible for the supervision of the manufacture and development of our Group's machinery moulding. He also assists with the Group's expansion of new markets into non-notebook computer casing manufacturing.

DIRECTORS, MANAGEMENT AND STAFF

Mr. Hsieh Wan-Fu (謝萬福), aged 42, joined our Group in 2003 as senior vice president. He is responsible for the establishment of quality control system, supervision of our Group's production in spray painting, development of new technology in dust-free spray painting and promotion of our Group's new technology in dust-free spray painting to our customers.

Mr. Huang Cheng Pin (黃正斌), aged 39, is an assistant to Mr. Cheng Li-Yu. He joined our 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 our Group's financial planning.

Mr. Chao Min-Jen (趙明仁), aged 36, is an associate vice president of our Group who joined our 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 our Group's products, and for supporting the sales and marketing function and after-sales services.

Mr. Liu Wei-Cheng (劉為政), aged 47, is an associate vice president of our Group who joined our 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 our Group's production in plastic injection, the development of new technology in plastic injection and the improvement of our Group's production efficiency.

Mr. Chang Tsun (張圳), aged 41, is an associate vice president of our Group who joined our Group in 2001. Mr. Chang has been working in the metal industry for 19 years. He is responsible for the supervision of our Group's metal stamping and the development of machinery moulding and new technology in metal stamping.

Mr. Lo Chi-Yun (羅啟允), aged 34, is an associate vice president of our Group who joined our 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 our Group's moulding in plastic injection.

Mr. Lu Fu-Hsing (呂福興), aged 39, is an assistant to Mr. Cheng Li-Yu. He joined our 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 our Group. He is also responsible for the design and enhancement of our Group's quality control.

DIRECTORS, MANAGEMENT AND STAFF

Mr. Liao Cheng-Yuan (廖正元), aged 45, is an assistant to Mr. Cheng Li-Yu and joined our Group in 2004. He is responsible to assist with the planning and implementation of our Group's projects. He is also responsible for the introduction of new products and the supervision of our Group's pilot run.

Mr. Satoru Nishizaka (西板悟), aged 58, is an assistant general manager of our Group and joined our Group in 2003. He is responsible for the monitoring and implementation of our Group's quality control in Suzhou Dazhi and Everyday Computer.

Our Group's management during the Track Record Period

Mr. Cheng Li-Yu, Mr. Cheng Li-Yen and Mr. Horng Tsai-Chin were the founders of our Group and they formed the majority of the board of directors of the principal operating subsidiaries of our Group throughout the Track Record Period. Because of our fast business growth during the Track Record Period, our Group has recruited a number of high caliber staff members to join our Group to assist the founders in the management of our Group. These senior staff members performed their duties under the direction of the relevant board of directors, which remained substantially unchanged throughout the Track Record Period.

The management team of our Group has been led by Mr. Cheng Li-Yu and execute the instructions of board of the directors of the relevant subsidiaries of our Group.

In particular, Mr. Huang Kuo-Kuang has joined our Group since 3rd February, 2001 and has played an important role in our senior management during the Track Record Period. Mr. Tsui Yung Kwok joined our Group in August 2004 and he has played important roles in the financial control of our Group.

Mr. Horng Tsai-Chin is one of the founders of our Group. Although Mr. Horng was not involved in the day-to-day operations of our Group, he has contributed to the management and development of our Group during the Track Record Period by actively participating in the formulation of the overall business development, corporate management, strategic planning and decision making of our Group in his capacity as an executive director of the major operating subsidiaries of our Group such as Giant Glory, Everyday Computer, Suzhou Dazhi and Gi Li.

The Group has also benefited from Mr. Horng's extensive experience and technical expertise in metal tooling and stamping which is part of the production process. Mr. Horng was closely involved in the construction of the metal tooling and stamping facilities of our Group and has supervised our Group's development of the metal tooling and stamping processes. Mr. Horng will continue to contribute to the management and development of our Group in such capacity by participating in the overall business development, corporate management and strategic planning of our Group

DIRECTORS, MANAGEMENT AND STAFF

notwithstanding that he will not participate in the day-to-day operations of our Company. In addition, Mr. Horng will continue to be involved in the management of our Group in his capacity as an executive director of the major operating subsidiaries of our Group.

The Directors consider that the management of our Group was substantially the same under the three founders of our Group during the Track Record Period notwithstanding our Group's promotions and appointments of additional Directors at our Company's level. The appointment of additional Directors to our Company paves the way for the expansion of our Group's business in the future. The Directors consider that the newly appointed executive Directors have already joined our Group as senior management and have played important roles in the management of our Group during the Track Record Period. The Directors consider that our Company's management is substantially the same under the leadership of Mr. Cheng Li-Yu, Mr. Cheng Li-Yen, Mr. Horng Tsai-Chin and Mr. Huang Kuo-Kuang during the Track Record Period.

AUDIT COMMITTEE

Our Company has established an audit committee with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee will be to review and supervise the financial reporting process and internal process and internal control system of our Group.

The current members of the audit committee, Mr. Yu Chwo-Ming, Mr. Tsai Wen-Yu and Mr. Lo Ching Pong, being the Company's independent non-executive Directors. Mr. Yu Chwo-Ming has been appointed as the chairman of the audit committee.

REMUNERATION COMMITTEE

Our Company has established a remuneration committee with written terms of reference in compliance with the code provisions of the Code on Corporate Governance Practices as set out in the Listing Rules. The remuneration committee will comprise of three independent non-executive Directors and two executive Directors. The functions of this committee include the formulation and the recommendation to the Board on our Group's policy and structure for all remuneration of the Directors and senior management of our Group, the establishment of a formal and transparent procedure for developing policy on remuneration, the determination of specific remuneration packages of all executive Directors and senior management in the manner specified in the terms of reference, the recommendation to the Board of the remuneration of non-executive Directors, review and approval of performance-based remuneration, and review and recommendation to our Shareholders as to the fairness and reasonableness of the terms of any Director's service agreement which is subject to the prior approval of our Shareholders in general meeting pursuant to the Listing Rules.

DIRECTORS, MANAGEMENT AND STAFF

The current members of the remuneration committee are Mr. Yu Chwo-Ming, Mr. Tsai Wen-Yu, Mr. Lo Ching Pong, Mr. Cheng Li-Yu and Mr. Huang Kuo-Kuang.

BOARD PRACTICES

In the absence of extraordinary events, the Board aims to meet at least once every quarter. At such meetings, the Directors will, among other things, conduct an operational review of the business of our Group. Our Group has adopted the code provisions of the Code on Corporate Governance Practices as set out in the Listing Rules as its "Code of Board Practices".

DIRECTORS' COMPENSATION

Each of Mr. Cheng Li-Yu, Mr. Cheng Li-Yen, Mr. Huang Kuo-Kuang and Mr. Tsui Yung Kwok, being all the executive Directors, has entered into a service contract with us for an initial fixed term of three years commencing from 1st June, 2005 renewable automatically for successive terms of one year each commencing from the day next 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. Each of these executive Directors is entitled to the respective basic salary set out below (subject to an annual increment after 1st January, 2006 at the discretion of the Directors of not more than 20% of the annual salary immediately prior to such increase). Upon completion of every 12-month period of the term of the service contract, each of these executive Directors shall be entitled to a guaranteed year-end bonus of an amount equivalent to his salary for two months, provided that, if any such executive Director does not complete a full 12-month period of the term of his service contract, he shall be entitled to a rateable proportion (apportioned on a time basis) of the guaranteed year-end bonus which he would have received had he completed a whole 12-month term. In addition, each of the executive Directors is also entitled to a management bonus. The aggregate amount of bonuses payable to all executive Directors who are entitled to such bonuses for any financial year of our Company shall not exceed 5% of the audited consolidated or combined net profit of our Group (after taxation and minority interests and payment of such bonuses) in respect of that financial year of our Company. An executive Director may not vote on any resolution of the Directors regarding the amount of management bonus payable to him. The current basic annual salaries of the executive Directors are as follows:

Name	Annual basic salary
Mr. Cheng Li-Yu	NT\$2,400,000
Mr. Cheng Li-Yen	approximately HK\$ 509,000 (<i>note</i>)
Mr. Huang Kuo-Kuang	approximately HK\$ 509,000 (<i>note</i>)
Mr. Tsui Yung Kwok	HK\$ 792,000

Note: Such salaries are payable in two currencies, and the amount stated represents the aggregate of NT\$1,824,000 and RMB84,000 payable to the relevant Director under the service contract.

DIRECTORS, MANAGEMENT AND STAFF

Each executive Director is an eligible participant under the Share Option Scheme and may, at the discretion of the Board, be granted share options under the Share Option Scheme. Each executive Director (save for any executive Director who, together with his associates, holds 5% or more of the Shares) is also an eligible employee under the Share Award Plan and may, at the discretion of the Board, be awarded Shares under the Share Award Plan, subject to the terms thereof and the compliance of the applicable requirements under the Listing Rules.

The non-executive Director and the independent non-executive Directors have been appointed for a term of two years commencing from 17th June, 2005, renewable automatically for successive terms of one year each commencing from the day next 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 3 months' notice in writing served by either our Company or the respective Director. The director's fee is currently NT\$600,000 (equivalent to approximately HK\$140,820) per annum for each of the independent non-executive Directors. Save for directors' fees, none of the non-executive Director or the independent non-executive Directors is expected to receive any other remuneration for holding his office as a non-executive Director or an independent non-executive Director (as is the case).

The aggregate of remuneration (including salaries and allowances) paid and benefits-in-kind granted by our Group to the Directors for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005 was approximately HK\$727,000, HK\$1,008,000, HK\$2,105,000, HK\$652,000 and HK\$1,194,000 respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three years ended 31st December, 2004 and the six months ended 30th June, 2005 by our Group to the Directors.

COMPLIANCE ADVISER

Under Rule 3A.23 of the Listing Rules, we must consult with and, if necessary, seek advice from our compliance adviser on a timely basis in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

DIRECTORS, MANAGEMENT AND STAFF

- (3) where our Company proposes to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters.

Subject to Listing, we have conditionally appointed SinoPac Securities, which is also one of the Sponsors, as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. SinoPac Securities is required to guide and advise us as to compliance with the Listing Rules and all other guidelines in discharge of its duties under Rule 3A.24 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and ends on the date on which our Company distributes our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

PRE-IPO SHARE OPTION SCHEME, SHARE OPTION SCHEME AND SHARE AWARD PLAN

We have adopted the Pre-IPO Share Option Scheme, the Share Option Scheme and the Share Award Plan, the principal terms of which are respectively summarised in the paragraphs headed “Share option schemes” and “Share Award Plan” in Appendix VII to this prospectus.

Under the Pre-IPO Share Option Scheme, 2,800,000 options have been granted to an executive Director (namely, Mr. Tsui Yung Kwok), pursuant to which he is entitled to subscribe for an aggregate of 2,800,000 Shares at a price per Share representing 90% of the final Offer Price. Details of the terms and conditions for these options granted are set out in the paragraph headed “Share option schemes” in Appendix VII to this prospectus. The granting of these options to Mr. Tsui Yung Kwok for subscription of the Shares under the Pre-IPO Share Option Scheme is to give due recognition to his contribution to the listing of the Shares on the Main Board.

Under the Group’s relevant accounting policy for equity-settled transactions, the fair value of the options granted under the Pre-IPO Share Option Scheme is estimated at the grant date and is to be charged to the Group’s profit and loss account over the vesting period of the options granted, with adjustments made at each reporting period to reflect the current best estimate of the number of options that will vest. An increase in the Group’s shareholders’ equity is recorded in an amount equal to the amount charged to the Group’s profit and loss account. The options granted under the Pre-IPO Share Option Scheme did not have any significant financial impact on the combined

DIRECTORS, MANAGEMENT AND STAFF

profit attributable to the equity holders of the Company for the six months ended 30th June, 2005. The Directors estimate that such options granted will reduce the combined profit attributable to the equity holders of the Company for the year ending 31st December, 2005 by approximately HK\$0.6 million.

As at the Latest Practicable Date, we have made awards of an aggregate of 4,289,776 Shares to an executive Director (namely, Mr. Huang Kuo-Kuang) and 14 employees of our Group under the Share Award Plan. It is expected that these awards will be satisfied by the Share Award Plan Trustee setting aside an appropriate number of Shares out of the pool of Shares maintained thereby under the Share Award Plan, which will comprise of (i) a total of 952,881 Shares which were transferred to the Share Award Plan Trustee for the benefit of the Share Award Plan and currently held by the Share Award Plan Trustee; and (ii) a total of 12,452,669 Shares which will be allotted and issued to the Share Award Plan Trustee pursuant to the Capitalisation Issue, immediately following the completion of the Share Offer and the Capitalisation Issue. Details of the awards and the terms and conditions thereof (including the relevant vesting period) are set out in the paragraph headed "Share Award Plan" in Appendix VII to this prospectus. The making of these awards to the Director and these employees under the Share Award Plan is to give due recognition and reward to the contribution of each of them in the growth and development of the Group through an award of Shares.

The Shares awarded under the Share Award Plan are considered to be share-based payments under HKFRS 2. Under the Group's relevant accounting policy for equity-settled transactions, the fair value of the Shares awarded is estimated at the grant date and is to be charged to the Group's profit and loss account over the vesting period of the Shares awarded, with adjustments made at each reporting period to reflect the current best estimate of the number of Shares that will vest. An increase in the Group's shareholders' equity is recorded in an amount equal to the amount charged to the Group's profit and loss account. The awards made under the Share Award Plan did not have any significant financial impact on the combined profit attributable to the equity holders of the Company for the six months ended 30th June, 2005. The Directors estimate that such awards made will reduce the combined profit attributable to the equity holders of the Company for the year ending 31st December, 2005 by approximately HK\$3.3 million.

PENSION SCHEMES

In the PRC, our Group and our employees in the PRC participate in a pension scheme regulated by the State, pursuant to which our Group and our employees pay contributions to the scheme. Our Group and each of our employees are currently required to pay a monthly contribution equivalent to 12% and 8% respectively of the employee's average monthly salary in the preceding year.

DIRECTORS, MANAGEMENT AND STAFF

In Hong Kong, our Group has set up a retirement scheme in accordance with the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). All Hong Kong based employees and our Group are required to contribute 5% of their respective monthly wages (up to a maximum contribution of HK\$1,000 by each of the employee and the Group) on a monthly basis to the fund.

EMPLOYEES

As at 30th September, 2005, our Group had 19,443 employees/workers. The breakdown of the employees/workers by location and responsibility is as follows:

	Hong Kong	PRC	Taiwan	Total
Group management	1	136	0	137
Human resources	0	34	2	36
Administration	0	561	1	562
Accounting and finance	1	39	11	51
Group development	0	13	7	20
Logistics	0	610	18	628
Sales and marketing	0	193	4	197
Quality assurance	0	1,358	1	1,359
Production – plastic injection moulding	0	2,963	0	2,963
Production – dust-free spray painting	0	10,303	0	10,303
Production – metal stamping	0	2,027	0	2,027
Product engineering	0	668	0	668
Metal tooling	0	492	0	492
	<hr/>	<hr/>	<hr/>	<hr/>
	2	19,397	44	19,443
	<hr/>	<hr/>	<hr/>	<hr/>

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account of any Shares which may be taken up under the Share Offer or any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Name	Company/name of Group member	Capacity	Class and number of securities (Note 1)	Approximate percentage of shareholding
Southern Asia	Our Company	Beneficial owner	395,947,439 Shares (L)	39.59%
Extrawell	Our Company	Beneficial owner	182,282,174 Shares (L)	18.23%
Shine Century Assets Corp. (Note 2)	Our Company	Interest of a controlled corporation	395,947,439 Shares (L)	39.59%
Mr. Cheng Li-Yu (Note 2)	Our Company	Founder of a discretionary trust	395,947,439 Shares (L)	39.59%
Ms. Lin Mei-Li (Note 3)	Our Company	Interest of spouse	395,947,439 Shares (L)	39.59%
Willsley Capital Co., Ltd.	Our Company	Beneficial owner	53,622,158 Shares (L)	5.36%
Mr. Duan Wang (Note 4)	Our Company	Interest of a controlled corporation	53,622,158 Shares (L)	5.36%
Ms. Fan Wang (Note 5)	Our Company	Interest of spouse	53,622,158 Shares (L)	5.36%

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Notes:

1. The letter “L” denotes the Shareholders’ long position in the share capital of the relevant member of our Group.
2. These Shares will be registered in the name of Southern Asia, which is owned as to approximately 69.09% by Shine Century Assets Corp. The entire issued share capital of Shine Century Assets Corp. is owned by the Cheng Family Trust which was founded by Mr. Cheng Li-Yu. Shine Century Assets Corp. is deemed to be interested in all the Shares in which Southern Asia is interested by virtue of the SFO, and Mr. Cheng Li-Yu is deemed to be interested in all the Shares in which Shine Century Assets Corp. is interested by virtue of the SFO.
3. Ms. Lin Mei-Li is the wife of Mr. Cheng Li-Yu and she is deemed to be interested in all the Shares in which Mr. Cheng Li-Yu is interested by virtue of the SFO.
4. These Shares will be registered in the name of Willsley Capital Co., Ltd., the entire issued share capital of which is beneficially owned by Mr. Duan Wang. Mr. Duan Wang is deemed to be interested in all the Shares in which Willsley Capital Co., Ltd. is interested by virtue of the SFO. Willsley Capital Co., Ltd. and Mr. Duan Wang are both Independent Third Parties.
5. Ms. Fan Wang is the wife of Mr. Duan Wang and she is deemed to be interested in all the Shares in which Mr. Duan Wang is interested by virtue of the SFO.

SHARE CAPITAL

Authorised share capital: *HK\$*

2,000,000,000	Shares	200,000,000
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Shares issued and to be issued, fully paid or credited as fully paid:

52,600,000	Shares in issue as at the Latest Practicable Date	5,260,000
687,400,000	Shares to be issued pursuant to the Capitalisation Issue	68,740,000
260,000,000	new Shares to be issued pursuant to the Share Offer	26,000,000

1,000,000,000	Shares	100,000,000
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Notes:

1. ASSUMPTIONS

This table assumes that the Share Offer and the Capitalisation Issue have become unconditional and the issue of 947,400,000 Shares were made pursuant thereto. It takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or the options which have been or may be granted under the Share Option Scheme and/or the Pre-IPO Share Option Scheme or which may be allotted and issued or purchased by our Company under the Share Award Plan and/or the general mandates granted to the Directors for the allotment and issue or repurchase of Shares as referred to in the paragraph headed "Resolutions in writing of all Shareholders passed on 17th June, 2005 and 6th October, 2005" in Appendix VII to this prospectus.

2. RANKING

The Offer Shares and the Shares to be issued upon exercise of the Over-allotment Option will rank *pari passu* in all respects with all the Shares now in issue on the date of allotment and issue of such Shares, and will qualify for all dividends and other distributions declared, made or paid after the date of this prospectus other than for entitlements under the Capitalisation Issue.

3. CAPITALISATION ISSUE

Conditional on the share premium account being credited as a result of the Share Offer, the Directors have been conditionally authorised to capitalise HK\$68,740,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 687,400,000 Shares for allotment and issue to Shareholders whose names appear on the register of members of our Company at the close of business on 6th October, 2005 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company.

4. SHARE OPTION SCHEMES AND SHARE AWARD PLAN

Our Company has adopted the Pre-IPO Share Option Scheme and the Share Award Plan and has conditionally adopted the Share Option Scheme. A summary of the respective major terms of the Share Option Scheme, the Pre-IPO Share Option Scheme and the Share Award Plan is set out in the paragraph headed "Share option schemes" and "Share Award Plan" in Appendix VII to this prospectus respectively.

SHARE CAPITAL

5. GENERAL MANDATE TO ISSUE SHARES

The Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

1. 200,000,000 Shares, representing 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but takes no account of any Shares which may be allotted or issued pursuant to the exercise of the Over-allotment Option or options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme; and
2. the aggregate nominal value of the share capital of the Company repurchased by the Company (if any, pursuant to the authority referred to in the paragraph headed "General mandate to repurchase Shares" below).

The Directors may, in addition to the Shares which they are authorised to issue under the general mandate, allot, issue or deal with Shares pursuant to a rights issue, scrip dividend scheme or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend, or the exercise of options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

This mandate will expire:

- at the conclusion of the next annual general meeting of our Company; or
- at the expiry of the period within which the next annual general meeting of our Company is required by its articles of association or any other applicable Cayman Islands laws to be held; or
- the passing of an ordinary resolution of the Shareholders in general meeting revoking or varying such mandate;

whichever occurs first.

For further details of this general mandate, see the paragraph headed "Resolutions in writing of all Shareholders passed on 17th June, 2005 and 6th October, 2005" in Appendix VII to this prospectus.

6. GENERAL MANDATE TO REPURCHASE SHARES

The Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 100,000,000 Shares, representing 10% of the total nominal amount of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but takes no account of any Shares which may be allotted or issued pursuant to the exercise of the Over-allotment Option or options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

This repurchase mandate only relates to repurchases made on the Main Board or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose) in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Securities repurchase mandate" in Appendix VII to this prospectus.

This repurchase mandate will expire:

- at the conclusion of the next annual general meeting of our Company; or
- at the expiry of the period within which the next annual general meeting of our Company is required by its articles of association or any other applicable Cayman Islands laws to be held; or
- the passing of an ordinary resolution of the Shareholders in general meeting revoking or varying such mandate;

whichever occurs first.

For further details of this repurchase mandate, see the paragraph headed "Resolutions in writing of all Shareholders passed on 17th June, 2005 and 6th October, 2005" in Appendix VII to this prospectus.

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INDEBTEDNESS

Borrowings

As at the close of business on 31st August, 2005, being the latest practicable date for the purpose of ascertaining information regarding this indebtedness statement, our Group had outstanding bank borrowings of approximately HK\$1,121 million comprising secured bank loans of approximately HK\$868 million and unsecured bank loans of approximately HK\$253 million.

Security and guarantee

As at 31st August, 2005, our banking facilities were secured by the following:

- (a) mortgages over certain leasehold land and buildings and machinery of the Group;
- (b) floating charges over certain trade receivables of the Group;
- (c) pledge of certain bank balances and time deposits of the Group; and
- (d) personal guarantee and/or joint and several guarantees of certain Directors.

Release of guarantees

Our Group has obtained consents in principle from the relevant banks that all of the personal guarantees and/or the joint and several guarantees of certain Directors will be released and replaced by corporate guarantees and/or other security from our Company and/or other members of our Group upon the listing of the Shares on the Main Board.

Disclaimers

Save as aforesaid and apart from intra-group liabilities, our Group did not have any bank loans, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities outstanding at the close of business on 31st August, 2005.

For the purposes of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31st August, 2005.

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Save as disclosed in the sub-paragraph headed “Borrowings and banking facilities” under the paragraph headed “Liquidity, financial resources and capital structure” of this section, the Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the companies comprising our Group since 31st August, 2005.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Based on the total asset values of the Group as at 31st December, 2002, 2003, 2004 and 30th June, 2005, which were approximately HK\$329 million, HK\$1,124 million, HK\$2,339 million and HK\$2,891 million respectively (as referred to in the Accountants' Report set out in Appendix I to this prospectus), details of trade receivables due from the following customers, which are affiliated companies of each other and Independent Third Parties as at 31st December, 2002, 2003, 2004 and 30th June, 2005 would have been discloseable under Rules 13.13 to 13.19 of the Listing Rules had the Company been listed on the Stock Exchange as at the respective dates.

	As at 31st December,			As at
	2002	2003	2004	30th June,
	HK\$'000	HK\$'000	HK\$'000	2005
				HK\$'000
達功 (上海) 電腦有限公司	—	—	180,248	63,157
Tech-Com (Shanghai)				
Computer Co. Ltd. (Note)				
達豐 (上海) 電腦有限公司	29,933	80,951	137,508	62,215
Tech-Front (Shanghai)				
Computer Co. Ltd. (Note)				
達業 (上海) 電腦科技有限公司	—	—	—	135,542
Tech-Yeh (Shanghai)				
Computer Co. Ltd. (Note)				
達福 (上海) 電腦科技有限公司	—	—	—	4,185
Tech-Pro (Shanghai) Computer				
Co. Ltd. (Note)				
	<u>29,933</u>	<u>80,951</u>	<u>317,756</u>	<u>265,099</u>

Note: Tech-Com (Shanghai) Computer Co. Ltd., Tech-Front (Shanghai) Computer Co. Ltd., Tech-Pro (Shanghai) Computer Co. Ltd. and Tech-Yeh (Shanghai) Computer Co. Ltd. are subsidiaries of Quanta.

The Directors confirm that the trade receivables referred to above represent the receivables from sales of our Group's products to such customers which were entered into by our Group in its ordinary course of business. Such trade receivables were unsecured, interest free and with a normal credit term of 120 days.

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As at the Latest Practicable Date, approximately HK\$235.2 million, representing approximately 88.7% of the total trade receivables for the customers mentioned above had been settled and HK\$29.9 million remained outstanding, representing an aggregate of 1.0% of the audited consolidated total assets of our Group as at 30th June, 2005. Hence, as at the Latest Practicable Date, no disclosure obligation arose under Rules 13.13 to 13.19 of the Listing Rules.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash flows

During the Track Record Period, we satisfied our working capital and other capital requirements principally through net cash flow from operations, short-term borrowings and the issuance of shares. As at 30th June, 2005, our Group had cash and cash equivalents of approximately HK\$192 million, representing an increase of approximately 32.43% from that of approximately HK\$145 million as at 31st December, 2004.

Operating activities

Net cash outflow generated from our operating activities amounted to approximately HK\$13 million, HK\$305 million and HK\$107 million for the years ended 31st December, 2002 and 2004 and the six months ended 30th June, 2004, respectively and net cash inflow generated from our operating activities amounted to approximately HK\$204 million and HK\$83 million for the year ended 31st December, 2003 and the six months ended 30th June, 2005, respectively. Due to the significant increase in trade receivables and inventories, net cash outflow position were recorded in the years ended 31st December, 2002 and 2004 and the six months ended 30th June, 2004. For the year ended 31st December, 2003 and the six months ended 30th June, 2005, although there was also a substantial increase in inventories and trade receivables, such increase was partially offset by increase in trade and other payables.

Investing activities

Net cash outflow used in investing activities amounted to approximately HK\$69 million, HK\$288 million, HK\$426 million, HK\$112 million and HK\$284 million for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, respectively. Our cash outflow from investing activities primarily related to our rapid expansion of production facilities, including purchases of new machinery, plant and equipment and the increase in construction in progress. The significant increase in net cash outflow in investing activities during the year ended 31st December, 2004 was mainly due to the expansion of Suzhou Dazhi which required large investments in machinery, office equipment and construction in progress in order to increase the production capacity.

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Financing activities

Net cash inflow generated from financing activities amounted to approximately HK\$74 million, HK\$185 million, HK\$762 million, HK\$168 million and HK\$248 million for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 2005, respectively. Net cash inflow generated from financing activities increased substantially during the year ended 31st December, 2004 was primarily due to the capital injection from the Shareholders and the net increase in bank loans.

Capital expenditure

Our capital expenditure included establishment of production plants and purchases of production facilities. Capital expenditure was approximately HK\$68 million, HK\$321 million, HK\$414 million, HK\$135 million and HK\$263 million for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 2005, respectively. All these capital expenditures were financed by cash flow from operations and short term bank loans. With the expansion of our production capacity, the Group's turnover increased sharply from approximately HK\$235 million in 2002 to approximately HK\$1,561 million in 2004, and from approximately HK\$656 million for the six months ended 30th June, 2004 to approximately HK\$1,097 million for the six months ended 30th June, 2005.

Net current assets

As at 31st August, 2005, our Group had net current assets of approximately HK\$303 million. The current assets comprised cash and bank balances of approximately HK\$155 million, pledged bank balances and time deposits of approximately HK\$147 million, trade receivables of approximately HK\$666 million, prepayments, deposits and other receivables of approximately HK\$97 million, derivative financial instruments of approximately HK\$7 million, and inventories of approximately HK\$674 million. The current liabilities comprised short-term bank borrowings of approximately HK\$481 million, trade and bills payables of approximately HK\$561 million, other payables and accruals of approximately HK\$353 million, and tax payable of approximately HK\$48 million.

Borrowings and banking facilities

Our Group generally finances our operations with internally-generated funds and banking facilities provided by its principal bankers in Hong Kong, Taiwan and the PRC. As regards the financing of our Group's land and buildings, our Group generally relies on funds generated from operations and mortgage loans from our principal bankers.

As at 31st August, 2005, our Group had aggregate composite banking facilities of approximately HK\$2,030 million with various banks of which approximately HK\$1,642 million had been utilised. The Group's loans as at 31st August, 2005 were all made at commercial rates which ranged from approximately 3% to 6% per annum.

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WORKING CAPITAL

Taking into consideration the financial resources available to our Group, including internally generated funds, current available banking facilities and the estimated net proceeds from the New Issue, the Directors are of the opinion that the working capital available to our Group is sufficient for our Group's present requirements, that is for at least the next 12 months from the date of this Prospectus.

DIVIDENDS

Everyday Computer, a member of our Group, had declared and paid intra-group dividends of approximately HK\$7 million, HK\$117 million, HK\$86 million, nil and nil for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 2005, respectively. Save as disclosed herein, no other dividend was declared by any member of our Group since the commencement of the Track Record Period. The dividend distribution record during the Track Record Period may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

CRITICAL ACCOUNTING POLICIES

Our Group's principal accounting policies adopted in the preparation of the financial statements are set forth in note 2 "Principal accounting policies" of the Accountants' Report set out in Appendix I to this prospectus. Critical accounting policies require management's subjective and complex judgement to make estimates on the carrying amounts of our Group's assets and liabilities and our Group's operating results. Certain estimates are sensitive because of the possibility that future events affecting the estimates may differ from management's current judgements.

The Directors believe that the following critical accounting policies have involved the most significant judgements and estimates used in the preparation of our financial statements.

Provision for obsolete and slow-moving inventories

Our management exercises judgement in making provisions for inventories. Our Group's inventory provisioning policy is determined based on management's experience and judgments made in respect of our Group's actual situation which is affected by the volume of sales order received from customers from time to time, the production scheduling, inventory availability and order quantity and effectiveness of inventory management and controls.

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General inventory provision is assessed based on the ageing analysis of the inventory balance as at each year/period end date. In addition, further specific provision will be made based on assessment of the expected utilisation, saleability and realisation of different types of production materials and finished goods. General provision for slow-moving and obsolete inventories of approximately HK\$1.7 million, HK\$4.5 million, HK\$17.7 million, HK\$3.6 million and HK\$9.9 million were made for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2004 and 30th June, 2005, respectively. All inventory aged over 1 year is fully provided for in accordance with our provisioning policy.

The substantial increase in provision from approximately HK\$4.5 million in 2003 to approximately HK\$17.7 million in 2004, and from approximately HK\$3.6 million for the six months ended 30th June, 2004 to approximately HK\$9.9 million for the six months ended 30th June, 2005, were in line with the increase in inventory balance from approximately HK\$159.4 million as at 31 December 2003 to approximately HK\$415.5 million as at 31st December, 2004, and from approximately HK\$191 million as at 30th June, 2004 to approximately HK\$653 million as at 30th June, 2005, respectively. As our Group's business is at its growth period, more inventories are required to meet the expected sales growth. The Directors consider that a relatively large provision is required to cover the slow-moving and obsolete items.

Provision for bad and doubtful debts

Our trade receivables are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts. Provision for doubtful debts is made to the extent that the debts are considered to be doubtful. Bad debts are written off when identified. During the Track Record Period, only HK\$1 million specific provision was made for trade receivables with specific collectivity problems in 2002.

Shares to be issued under the Share Award Plan and share options to be granted under the Share Option Scheme

After the adoption of HKFRS 2 "Share-based Payment" by our Group from 1st January, 2005 onwards, all share-based payment transactions have to be recognised in our Group's financial statements and are measured at fair value.

For any share options granted under the Share Option Scheme, the fair value of the share options granted is determined using an option-pricing model at the grant date; the fair value determined at the grant date will be charged to our Group's profit and loss account equally over the vesting period of the share options, if any; and an increase in shareholders' equity is recorded in an amount equal to the amount charged to our Group's profit and loss account.

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Under the Share Award Plan, our Company will provide the required funding to the Share Award Plan Trustee for either subscription of new Shares or purchase of issued Shares from the market for the purpose of satisfying any award made in the event that the pool of Shares maintained thereby has been depleted.

When new Shares are allotted and issued at par to the Share Award Plan Trustee for the purpose of satisfying any award made under the Share Award Plan, the fair value of the new Shares allotted and issued is determined at the issue date; the amount, being the fair value of the new Shares, will be charged to our Group's profit and loss account equally over the vesting period, if any; and an increase in shareholders' equity is recorded in an amount equal to the amount charged to our Group's profit and loss account.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Revenue

Our Group's revenue is principally derived from sale of notebook computer casings, LCD PC casings, digital camera casings and game console casings.

Cost of sales

Our Group's cost of sales mainly comprises cost of production materials (mainly resin, metal sheet and paint), labour costs and other production costs including factory utilities, subcontracting charges, depreciation of plant and machinery and consumable materials for production.

Other income and gains

In addition to turnover, our Group also derives other income and gains mainly including interest income, subcontracting fee income, gain on disposal of scrap materials, sales of used moulds, excess over the cost of business combination recognised as income and exchange gain.

Selling and distribution costs, administrative expenses and other operating expenses

Our Group's operating expenses are selling and distribution costs, administrative expenses and other operating expenses. Selling and distribution costs mainly include freight and delivery, entertainment expenses, travelling expenses and marketing staff costs. Administrative expenses mainly represent administrative staff costs, offices utilities and supplies and depreciation. Other operating expenses mainly include loss on disposal of fixed assets, exchange loss and provision for doubtful debts.

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Finance costs

Our Group's finance costs are mainly interest on bank borrowings.

Hedging against foreign exchange risk

The Group has entered into USD/RMB forward foreign exchange contracts with an aggregate amount of approximately HK\$1,372.8 million as at 30th June, 2005.

The Directors consider that there is no assurance that such exchange rate will remain stable in the future. With the fast expansion of business, our Group's exposure to foreign exchange risk increased sharply. Any appreciation of RMB will have an adverse effect on our Group's business. It is important that the Group adopts appropriate measures to mitigate the Group's foreign exchange risk exposure. Accordingly, our Group has entered into foreign exchange contracts to cover its exchange rate exposure related to the fluctuations in the values of the USD and the RMB, which resulted in a significant increase in the foreign exchange contract commitments from approximately HK\$15.6 million as at 31st December, 2003 to approximately HK\$811.2 million as at 31st December, 2004 and to approximately HK\$1,372.8 million as at 30th June, 2005. The foreign exchange contracts of approximately HK\$1,372.8 million as at 30th June, 2005 included (i) the sale of USD and purchase of RMB for the period from July 2005 to May 2006 with an amount of HK\$686.4 million; and (ii) the sale of RMB and purchase of USD for the period from July 2005 to May 2006 with an amount of HK\$686.4 million. Such increase in our foreign exchange commitments was due to the increasing market speculation to the appreciation of RMB and the Directors consider that such amount of foreign exchange commitments is reasonable in view of our Group's substantial amount of our Group's procurement and operational expenses being settled in RMB.

Our Group's average monthly procurement and expenditure being settled in RMB was approximately US\$7.8 million (equivalent to approximately HK\$61.2 million) in the year 2004. As at the Latest Practicable Date, our Group's forward foreign exchange contracts include the purchase of USD and sale of RMB and sale of USD and purchase of RMB at the same time with different contract prices. Our Group has entered into contracts for the purchase of and sale of the USD against the RMB at the same time in order to minimise our Group's exchange risk exposure. The contracts for the sale of USD and purchase of RMB for the period from July 2005 to May 2006 will mature in equal monthly amounts of US\$8 million (equivalent to approximately HK\$62.4 million). Similarly, the contracts for purchase of USD and sale of RMB for the period from July 2005 to May 2006 will mature in equal monthly amounts of US\$8 million (equivalent to approximately HK\$62.4 million).

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The Directors expect that our Group will record exchange gain from the existing forward foreign exchange contracts if RMB appreciates in value. Our Group's exchange loss from our operations in the PRC can then be partially compensated by such gain. If RMB depreciates in value, our Group will record a loss from the forward foreign exchange contracts but we will be partially compensated by our Group's exchange gains from our operation in the PRC. As at 31st August, 2005, the total amount of outstanding forward exchange contracts was approximately HK\$1,123.2 million, including contract amount of HK\$561.6 million for purchases of USD and sales of RMB and amount of HK\$561.6 million for sales of USD and purchases of RMB. For the eight months ended 31st August, 2005, our Group recorded net exchange gain of approximately HK\$20.7 million which included an unrealised gain from outstanding forward foreign exchange contracts of approximately HK\$7.9 million.

In view of the possible fluctuation in the value of USD and RMB, the Directors intend to mitigate the effect from the fluctuations in the value of USD and RMB by entering into the forward foreign exchange contracts. In accordance with the Hong Kong Accounting Standards, our Group's forward exchange contracts do not qualify for hedge accounting and are accounted for as trading instruments and any unrealised gain or loss, being changes in fair value of the derivatives, are recognised immediately in the profit and loss account.

The entering of the forward foreign exchange contracts was decided by the management of our Group during the Track Record Period with reference to the expected procurement and operational expenses of our Group being settled by RMB and the expectation by our management to the trend of the value of USD and RMB. Our Group has not sought advice from qualified investment advisers for entering into such forward foreign exchange contracts during the Track Record Period.

Upon the Listing, the Directors will be responsible for the decision to enter into any new commitment of forward foreign exchange contract and the Directors will seek advice from qualified investment advisers before making any such decision. To enhance the internal control of our Group, the approval from the Board for any new commitment of foreign exchange contract or any financial derivative will be required. The majority of the Board to consider such new commitments of foreign exchange contracts will compose of the independent non-executive Directors. The management of our Group shall provide details of our short-term to mid-term RMB requirements, the available working capital and financial resources of our Group and possible risk exposure of such commitment of foreign exchange contract or any financial derivative and the investment advice from qualified investment advisers for the Board's consideration and approval. The Directors will continue to assess the Group's foreign exchange risk and adopt appropriate measures to mitigate such risk, and will adopt a prudent approach to implement financial derivative commitments and carefully evaluate the foreign exchange risk exposure to our Group from time to time. If our Group's foreign exchange exposure reduces, the Directors will adjust the amount of our Group's forward foreign exchange contacts accordingly. The Group will seek proper advice and will carefully consider different factors prior to entering into any foreign exchange transactions and will also avoid entering into transactions for speculative purpose.

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TRADING RECORD

The following table, which summarises our results of operations for each of the three years ended 31st December, 2004 and the six months ended 30th June, 2005 together with the unaudited comparative figures for the six months ended 30th June, 2004, has been extracted from the accountants' report of our Company as set out in Appendix I to this prospectus.

	Year ended 31st December,			Six months ended 30th June,	
	2002	2003	2004	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)	(audited)
REVENUE					
Sale of goods	234,632	887,332	1,561,093	656,226	1,096,710
Cost of sales	(166,542)	(659,206)	(1,159,259)	(500,953)	(898,375)
Gross profit	68,090	228,126	401,834	155,273	198,335
Other income and gains, net	5,634	22,851	21,542	7,154	19,508
Selling and distribution cost	(7,452)	(13,289)	(21,191)	(9,274)	(12,203)
Administrative expenses	(15,206)	(40,841)	(121,574)	(42,690)	(91,372)
Other operating expenses, net	(1,206)	(4,592)	(5,287)	(4,524)	(852)
Finance costs	(1,481)	(4,954)	(12,557)	(4,120)	(22,267)
PROFIT BEFORE TAX	48,379	187,301	262,767	101,819	91,149
Tax	(11,444)	(22,550)	(21,394)	(6,415)	(13,107)
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY	36,935	164,751	241,373	95,404	78,042
DIVIDENDS	–	–	–	–	–
EARNINGS PER SHARE					
– Basic (HK cents)	5.0	22.3	32.6	12.9	10.5
– Diluted (HK cents)	N/A	N/A	N/A	N/A	10.5

Note: The calculation of basic earnings per Share for each of the relevant periods is based on the combined profit attributable to the equity holders of our Company for each of the relevant periods, and on the assumption that 740,000,000 Shares were deemed to have been in issue and issuable during the relevant periods, comprising the 52,600,000 Shares in issue as at the date of this prospectus and the 687,400,000 Shares to be issued pursuant to the Capitalisation Issue, as disclosed more fully in the paragraph headed "Resolutions in writing of all Shareholders passed on 17th June, 2005 and 6th October, 2005" in Appendix VII to this prospectus.

The calculation of diluted earnings per Share for the six months ended 30th June, 2005 is based on the profit attributable to the equity holders of the Company of HK\$78,042,000 and the number of Shares as used in the basic earnings per Share calculation, adjusted for 21,815 Shares assumed to have been issued at no consideration on the deemed exercise of the options granted under the Pre-IPO Share Option Scheme, on the assumption that the final Offer Price is HK\$1.24 per Share.

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RESULTS OF OPERATIONS

During the Track Record Period, our Group experienced a substantial growth in turnover. Our Group successfully grew from a net profit of approximately HK\$36.94 million for the year ended 31st December, 2002 to a net profit of approximately HK\$164.75 million for the year ended 31st December, 2003. For the year ended 31st December, 2004, our Group's profit attributable to Shareholders increased by approximately 46.51% from approximately HK\$164.75 million for the year ended 31st December, 2003 to approximately HK\$241.37 million. However, our Group's net profit decreased to approximately HK\$78.04 million for the six months ended 30th June, 2005 compared to the net profit of approximately HK\$95.40 million for the corresponding period in 2004.

The Directors attribute the growth in profits of our Group for the three years ended 31st December, 2004 to the success in the establishment of business with famous ODM vendors in notebook computers, the expansion of our production base in Suzhou, our experienced marketing team, our ability to deliver the products required by our customers, the provision of "one-stop" service in plastic injection moulding, metal stamping, dust-free spray painting and assembly, the expansion of the range of products and our competitive pricing strategy resulting from our success in cost control and the relatively low production cost in the PRC. However, owing to the increase in the cost of production materials, labour cost, manufacturing overheads and finance cost for the six months ended 30th June, 2005, our Group recorded a drop in net profit compared to that for the corresponding period in 2004.

Analysis of results of the year ended 31st December, 2002

Revenue

Turnover of our Group for the year ended 31st December, 2002 amounted to approximately HK\$234.63 million, of which, approximately 64.49% and 35.51% was generated from the PRC and Taiwan market respectively.

Cost of sales

Cost of sales recorded for the year ended 31st December, 2002 was approximately HK\$166.54 million, representing approximately 70.98% of the turnover for the year. Cost of sales included production material costs, labour costs and production overheads.

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Gross profit and other income and gains

The gross profit amounted to approximately HK\$68.09 million for the year ended 31st December, 2002, representing an overall gross profit margin of approximately 29.02%. Other income and gains totalled approximately HK\$5.63 million which mainly comprised interest income, subcontracting fee income, gain on disposal of scrap materials, sales of used moulds and exchange gains.

Operating expenses and finance costs

Selling and distribution costs were approximately HK\$7.45 million for the year ended 31st December, 2002, representing approximately 3.18% of the turnover and were mainly entertainment expenses for soliciting customers at the first year of operation.

Administrative expenses were approximately HK\$15.21 million, which mainly comprised staff costs (including Directors' remuneration), travelling expenses, depreciation and offices utilities and supplies.

Other operating expenses were approximately HK\$1.21 million, which included primarily loss on disposal of fixed assets.

Finance costs were approximately HK\$1.48 million, which mainly comprised interest on bank borrowings.

Our Group recorded a net profit of approximately HK\$36.94 million for the year ended 31st December, 2002 which was mainly attributable to the increase in demand of notebook computer casings.

Comparison between the results for the year ended 31st December, 2002 and those for the year ended 31st December, 2003

Revenue

Turnover of our Group was approximately HK\$887.33 million for the year ended 31st December, 2003, representing an increase of approximately HK\$652.70 million or approximately 2.78 times over that of the previous financial year. Approximately 68.72% and 31.28% of our Group's turnover was derived from the PRC and Taiwan market respectively. The increase in the turnover of our Group for the year ended 31st December, 2003 was attributable to the expansion of production capacity of Everyday Computer and the commencement of operations of Suzhou Dazhi.

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As at 31st December, 2003, the capital investments of Suzhou Dazhi almost doubled that of Everyday Computer, Suzhou Dazhi is well equipped to process larger customers orders and generate larger turnover than Everyday Computer.

	Capital investments as at 31st December, 2002	Additional capital investments during the year ended 31st December, 2003
Everyday Computer	HK\$138.0 million	HK\$20.9 million
Suzhou Dazhi	HK\$15.7 million	HK\$282.3 million
Total	HK\$153.7 million	HK\$303.2 million

The Directors consider that additional capital investments in Everyday Computer and Suzhou Dazhi have substantially increased the production capacity of the Group, especially the commencement of operations of Suzhou Dazhi in 2003 which became the major factor for the growth of the Group during the Track Record Period.

Cost of sales

Cost of sales was approximately HK\$659.21 million for the year ended 31st December, 2003, which increased by approximately HK\$492.66 million or 2.96 times over that of the previous financial year. The increase in cost of sales was basically in line with the increase in the turnover of our Group for the year.

Gross profit and other income and gains

Gross profit was approximately HK\$228.13 million for the year ended 31st December, 2003, representing an increase by approximately HK\$160.04 million or 2.35 times over that of the previous financial year. The gross profit margin of our Group had slightly decreased from approximately 29.02% from the previous year to approximately 25.71% for the year ended 31st December, 2003 which was due to the inclusion of pilot production costs during the initial production stage of Suzhou Dazhi.

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Other income and gains were approximately HK\$22.85 million, representing an increase of approximately HK\$17.22 million or 3.06 times that of the previous financial year. Such increase was due to the increase in gain on disposal of scrap materials, subcontracting fee income and excess over the cost of business combination for acquisition of entire interest in Gi Li recognised as income. For further details of the acquisition of the entire equity interest in Gi Li, please refer to the paragraph headed "Group reorganisation" in Appendix VII to this prospectus.

Operating expenses and finance costs

Selling and distribution costs were approximately HK\$13.29 million for the year ended 31st December, 2003, which increased by approximately HK\$5.84 million or 78.33% from that of the previous financial year. Such increase was in line with the increase of turnover of our Group for the year. However, the percentage of selling and distribution costs to the turnover decreased from approximately 3.18% for the previous financial year to approximately 1.50% this year as the increase in turnover did not require a proportional increase in selling efforts.

Administrative expenses were approximately HK\$40.84 million, which increased by approximately HK\$25.64 million or 1.69 times over that of the previous financial year. Such increase was mainly attributable to the increase in staff costs, office utilities and supplies and depreciation as a result of the increase in operation scale through the expansion of our Group's production plant and commencement of operations of Suzhou Dazhi during the year.

Other operating expenses for the year ended 31st December, 2003 in the amount of HK\$4.6 million mainly represented exchange losses.

Finance costs increased by approximately HK\$3.47 million or 2.35 times over the previous financial year to approximately HK\$4.95 million. Increase in finance costs was attributable to the increase in bank borrowings to finance the establishment and operation of Suzhou Dazhi during the year.

As a result of substantial increase in turnover, our Group recorded a net profit of approximately HK\$164.75 million with a net profit margin of approximately 18.57% which improved from 15.74% of previous financial year.

Comparison between the results for the year ended 31st December, 2003 and those for the year ended 31st December, 2004

Revenue

Turnover of our Group was approximately HK\$1,561.09 million for the year ended 31st December, 2004, representing an increase of approximately HK\$673.76 million or approximately 75.93% over that of the previous financial year. For the year ended 31st December, 2004, approximately 87.86% and 12.02 % of our Group's turnover was

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derived from the PRC and Taiwan market respectively. The increase in turnover of our Group for the year ended 31st December, 2004 as compared to the previous financial year was attributable to the commencement of the operations of Suzhou Dazhi in the second half year of 2003 and the rapid expansion of production capacity of Suzhou Dazhi for the year.

	Capital investment as at 31st December, 2003	Additional capital investment during the year ended 31st December, 2004
Suzhou Dazhi	HK\$298 million	HK\$307.3 million
Accumulated total		HK\$605.3 million

Cost of sales

Cost of sales was approximately HK\$1,159.26 million for the year ended 31st December, 2004, representing an increase of approximately HK\$500.05 million or approximately 75.86% over that of the previous financial year. Such increase was generally in line with the increase in turnover of our Group.

Gross profit and other income and gains

Gross profit was approximately HK\$401.83 million for the year ended 31st December, 2004, representing an increase of approximately HK\$173.71 million or 76.15% over that of the previous financial year. The gross profit margin of our Group remained at a similar level as in the year ended 31st December, 2003 (25.71%) at approximately 25.74% for the year ended 31st December, 2004. Such increase in gross profit was mainly attributable to the full operation of Suzhou Dazhi which only commenced production in second half year of 2003.

Since the excess over the cost of business combination recognised as income of approximately HK\$10.18 million arose from the acquisition of the entire equity interest in Gi Li was fully recognised as income in 2003, and there was no such income incurred in 2004, the Group recorded a decrease in other revenue and gains of HK\$1.31 million or 5.73% from approximately HK\$22.85 million in 2003 to approximately HK\$21.54 million in 2004.

Operating expenses and finance costs

Selling and distribution costs were approximately HK\$21.19 million for the year ended 31st December, 2004, representing an increase of approximately HK\$7.9 million or 59.46% over that of the previous financial year which was in line with the increase in turnover of our Group.

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Administrative expenses were approximately HK\$121.57 million for the year ended 31st December, 2004, representing an increase of approximately HK\$80.73 million or 1.98 times over that of the previous financial year. Such increase was mainly attributable to the increase in number of staffs and offices utilities for the expansion of our Group's operational scale.

Other operating expenses for the year ended 31st December, 2004 in the amount of approximately HK\$5.29 million mainly represented exchange losses.

Finance costs was approximately HK\$12.56 million for the year ended 31st December, 2004, representing an increase of approximately HK\$7.6 million or 1.53 times over that of the previous financial year. Such increase was attributable to the substantial increase in bank borrowings to finance the establishment and operations of Suzhou Dazhi.

As a result of a substantial increase in turnover, our Group recorded a net profit of approximately HK\$241.37 million with a net profit margin of approximately 15.46% for the year ended 31st December, 2004. The decrease in net profit margin from that of approximately 18.57% recorded for the year ended 31st December, 2003 was mainly attributable to the comparatively high operating expenses and finance costs for the full operation of Suzhou Dazhi during the year.

Comparison between unaudited results for the six months ended 30th June, 2004 and the audited results for the six months ended 30th June, 2005

Revenue

Turnover of our Group was approximately HK\$1,096.71 million for the six months ended 30th June, 2005, representing an increase of approximately HK\$440.48 million or approximately 67.12% over that of the previous six months' financial period. For the six months ended 30th June, 2005, approximately 91.57% and 7.46% of our Group's turnover was derived from the PRC and Taiwan market respectively. The increase in turnover of our Group for the six months ended 30th June, 2005 as compared to the previous six months' financial period was attributable to the strong global demand of notebook computer, the Group's scalable production capacity and stringent quality control.

Cost of sales

Cost of sales was approximately HK\$898.38 million for the six months ended 30th June, 2005, representing an increase of approximately HK\$397.42 million or 79.33% over that of the previous six months' financial period. Such increase was generally in line with the increase in turnover of our Group.

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Gross profit and other income and gains

Gross profit was approximately HK\$198.34 million for the six months ended 30th June, 2005, representing an increase of approximately HK\$43.07 million or 27.73% over that of the previous six months' financial period. However, the gross profit margin of our Group decreased to approximately 18.08% for the six months ended 30th June, 2005 from approximately 23.66% for the six months ended 30th June, 2004. Although the Group's sales increased by 67.12% during the first half of 2005 compared to the first half of 2004, the percentage increase in cost of production materials, direct labour costs and overhead costs all exceeded the sales growth for the period. The cost of production materials increased to approximately HK\$695.8 million during the six months ended 30th June, 2005 from approximately HK\$329.5 million for the six months ended 30th June, 2004. Due to the significant increase in number of workers, direct labour costs increased from approximately HK\$58.04 million for the six months ended 30th June, 2004 to approximately HK\$121.09 million for the six months ended 30th June, 2005. Overhead cost including depreciation, consumables, electricity and water, and indirect labour costs also increased substantially from approximately HK\$114.70 million for the six months ended 30th June, 2004 to approximately HK\$257.33 million for the same period of 2005.

Other income and gains were approximately HK\$19.51 million for the six months ended 30th June, 2005, representing an increase of approximately HK\$12.35 million or 1.73 times over that of the previous six months' financial period. Such increase was mainly attributable to the exchange gains of approximately HK\$11.42 million which included an unrealised gain of approximately HK\$7.89 million on the forward foreign exchange contracts entered by the Group.

Operating expenses and finance costs

Selling and distribution costs were approximately HK\$12.20 million for the six months ended 30th June, 2005, representing an increase of approximately HK\$2.93 million or 31.58% over that of the previous six months' financial period. Such increase was in line with the increase in turnover of our Group.

Administrative expenses were approximately HK\$91.37 million for the six months ended 30th June, 2005, representing an increase of approximately HK\$48.68 million or 1.14 times over that of the previous six months' financial period. Such increase was mainly attributable to the increase in number of staffs and offices utilities for the expansion of our Group's operations scale.

Finance costs was approximately HK\$22.27 million for the six months ended 30th June, 2005, representing an increase of approximately HK\$18.15 million or 4.4 times over that of the previous six months' financial period. Such increase was attributable to the substantial increase in bank borrowings to finance the Group's capital expenditure of approximately HK\$259 million and working capital for the period.

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Our Group recorded a net profit of approximately HK\$78.04 million with a net profit margin of approximately 7.12% for the six months ended 30th June, 2005, compared with the net profit margin of approximately 14.54% recorded for the six months ended 30th June, 2004. Our net profit margin for the six months ended 30th June, 2005 was dwindled by the increase in finance costs and administrative expenses. The finance costs of the Group increased from approximately HK\$4.12 million for the six months ended 30th June, 2004 to approximately HK\$22.27 million for the six months ended 30th June, 2005 which represented approximately 0.63% and 2.03% of the turnover of the Group for the six months ended 30th June, 2004 and 30th June, 2005, respectively.

The administrative cost of the Group also increased significantly from approximately HK\$42.69 million for the six months ended 30th June, 2004 to approximately HK\$91.37 million for the six months ended 30th June, 2005, which represented approximately 6.51% and 8.33% of the turnover of the Group for the six months ended 30th June, 2004 and 30th June, 2005, respectively.

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Net current assets/(liabilities)

	As at 31st December,			As at
	2002	2003	2004	30th June,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2005
				<i>HK\$'000</i>
Net current assets/(liabilities)	(14,561)	(97,432)	(32,589)	298,975

As at 31st December, 2003, our Group had net current liabilities of approximately HK\$97.43 million, which represented an increase of approximately HK\$82.87 million or approximately 5.69 times over that of the previous financial year. The increase in net current liabilities was due to the increase in short term bank borrowings to finance the additions of fixed assets of approximately HK\$320.62 million during the year.

As at 31st December, 2004, our Group had net current liabilities of approximately HK\$32.59 million, representing a decrease of approximately HK\$64.84 million or 66.55% from the net current liabilities of approximately HK\$97.43 million as at 31st December, 2003. Such decrease was due to the substantial increase in inventories and trade receivables during the year ended 31st December, 2004.

The Group's net current liabilities position was primarily attributable to the fast growing of the Group's operations which resulted in the situation that the Group's long term fixed assets were financed by the Group's short term bank borrowings.

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As at 30th June, 2005, our Group had net current assets of approximately HK\$298.98 million. Such improvement was attributable to the fact that the Group was able to obtain a long term bank loan to refinance its short term loan facilities during the six months ended 30th June, 2005.

Debtors' turnover period

	Year ended 31st December,			Six months ended
	2002	2003	2004	30th June, 2005
Debtors' turnover days (<i>Note</i>)	<u>119 days</u>	<u>95 days</u>	<u>127 days</u>	<u>125 days</u>

Credit period granted to customers of our Group ranges from 90 to 120 days. Debtors turnover period for the years ended 31st December, 2002 and 2003 were approximately 119 days and 95 days respectively. The decrease in turnover days in 2003 was primarily a result of the increase in sales in the last quarter of 2002 and longer credit terms were granted to major customers of the Group during the initial set up of the Group's business.

Debtors' turnover period for the year ended 31st December, 2004 increased to approximately 127 days from that of approximately 95 days for the year ended 31st December, 2003 which was due to the fact that more sales in the amount of approximately HK\$520.6 million were recorded in the last quarter of 2004 which represented an increase of approximately 65.27% as compared with the sales amount of HK\$315 million recorded in the same period of 2003.

The substantial increase in trade receivables from HK\$339.2 million in 2003 to HK\$747.6 million in 2004 was mainly attributable to the significant growth in the turnover of our Group in 2004.

Debtors' turnover days for the six months ended 30th June, 2005 remained stable at 125 days as approximately 57% of the sales for the period was recorded in the period from April to June 2005.

Note: The calculation of debtors' turnover days for the three years ended 31st December, 2004 is based on the average of the beginning and ending balance of trade receivables for the year divided by turnover during the relevant year and multiplied by 365 days, while the calculation for the six months ended 30th June, 2005 is based on the average of the beginning and ending balance of trade receivables for the period divided by turnover during the same period and multiplied by 183 days.

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Creditors' turnover period

	Year ended 31st December,			Six months ended
	2002	2003	2004	30th June, 2005
Creditors' turnover days (<i>Note</i>)	<u>75 days</u>	<u>99 days</u>	<u>115 days</u>	<u>103 days</u>

Credit terms granted by suppliers to our Group ranged from 90 to 120 days. With the increase in the Group's sales in 2004, our Group increased the purchases of production materials by approximately 263.5% and 88.42% during the last quarter of 2003 and 2004 respectively which led to the increase in creditors' turnover days to 99 days for the year ended 31st December, 2003 and 115 days for the year ended 31st December, 2004.

The substantial increase in trade and bills payables from HK\$299.6 million in 2003 to HK\$433.6 million in 2004 was mainly due to the significant increase in the purchases of production materials to meet the production demand arising from the significant growth in sales orders in 2004.

For the six months ended 30th June, 2005, creditors' turnover period improved to approximately 103 days from approximately 115 days for the year ended 31st December, 2004. Certain purchase of production materials, such as plastic resin required prepayments which resulted in a decrease in creditors' turnover days to 103 days from that of 115 days in 2004.

Note: The calculation of creditors' turnover days for the three years ended 31st December, 2004 is based on the average of the beginning and ending balance of trade payables for the year divided by cost of sales during the relevant year and multiplied by 365 days, while the calculation for the six months ended 30th June, 2005 is based on the average of the beginning and ending balance of trade payables for the period divided by cost of sales during the same period and multiplied by 183 days.

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Inventory turnover period

	Year ended 31st December,			Six months ended
	2002	2003	2004	30th June, 2005
Inventory turnover days (<i>Note</i>)	<u>53 days</u>	<u>57 days</u>	<u>91 days</u>	<u>109 days</u>

Our Group's inventory turnover days remained stable at approximately 53 days in 2002 and approximately 57 days for the year ended 31st December, 2003. Such low inventory turnover period in 2002 and 2003 was primarily attributable to the rapid growth in turnover of our Group.

The inventory turnover days for the year ended 31st December, 2004 increased to approximately 91 days from 57 days for the year ended 31st December, 2003 which was attributable to the increase in purchase of production materials in the amount of approximately HK\$340.3 million in the last quarter of 2004 which represented an increase of 88.42% as compared with the amount of purchases of HK\$180.6 million in the same period in 2003 to meet the production requirements so as to support the substantial growth of our Group's sales.

For the two years ended 31st December, 2003 and 2004, our Group's sales increased by approximately 278.2% and 175.9%, respectively. Based on the historical growth of our Group's sales, the Directors anticipated that the rapid growth of sales would continue for the year ending 31st December, 2005, which was evidenced by the 67.12% increase in sales for the first half of 2005 compared to the same period of 2004. As our sales for the second half of the year on average accounted for approximately 60% of the annual turnover for each of the three years ended 31st December, 2004, a comparatively higher inventory level was required in the second quarter to meet the production needs in the second half of the year. Based on our anticipated increasing demand for our Group's products, and in order to avoid any possible increase in the cost of production materials during the second half of the year 2005, we maintained an inventory level of approximately HK\$653.2 million as at 30th June, 2005 which was sufficient to satisfy 3 to 4 month's production requirements. Therefore, our inventory turnover days were also increased in line with the increase in inventory level to 109 days for the six months ended 30th June, 2005.

As the Group continued to increase its stock holding to cope with the expected increase in sales volume in the second half of 2005, the inventory turnover days for the six months ended 30th June, 2005 further increased to approximately 109 days.

Note: The calculation of inventory turnover days for the three years ended 31st December, 2004 is based on the average of the beginning and ending balance of inventories for the year divided by cost of sales during the relevant year and multiplied by 365 days, while the calculation for the six months ended 30th June, 2005 is based on the average of the beginning and ending balance of inventories for the period divided by cost of sales during the same period and multiplied by 183 days.

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Gearing ratio

	As at 31st December,			As at
	2002	2003	2004	30th June, 2005
Gearing ratio (Note)	30.93%	23.58%	40.44%	41.30%

As a result of the substantial increase in the Group's total assets which exceeded the increase in the Group's total debts, the Group's gearing ratio dropped to approximately 23.58% as at 31st December, 2003 from approximately 30.93% as at 31st December, 2002. As more bank borrowings were required to finance our Group's expansion, particularly the acquisitions of fixed assets, our Group's gearing ratio increased from approximately 23.58% in 2003 to approximately 40.44% in 2004 and further to approximately 41.30% as at 30th June, 2005. Based on the existing banking facilities and cash flows of our Group, our Directors consider that our Group has sufficient resources to meet our working capital requirements.

Note: The calculation of gearing ratio is based on total borrowings as at year/period end divided by total assets as at year/period end and multiplied by 100.

Prepayments, deposits and other receivables

	As at 31st December,			As at
	2002	2003	2004	30th June, 2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments	2,028	14,119	37,662	48,723

Prepayments included prepayments for investments, purchases of machinery and production materials, and listing expenses paid to professional parties. The significant increase in the balance of prepayments as at 31st December, 2003 was primarily due to the inclusion of the listing expenses, the increase in purchases of machinery for expansion of business and prepayment of investment cost in a PRC mould manufacturing company. As the investment is still at the negotiation stage, no formal agreement was reached. The balance further increased to HK\$37.66 million as at 31st December, 2004 and to HK\$48.72 million as at 30th June, 2005 which was due to the increase in prepayment for inventory and listing expenses.

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	As at 31st December,			As at
	2002	2003	2004	30th June,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2005
				<i>HK\$'000</i>
Deposits and other receivables	3,088	21,446	28,082	42,556

Deposits and other receivables mainly consisted of rental deposits, PRC and Taiwan VAT refund. As most of the sales engaged by the Group's PRC and Taiwan subsidiaries were for export purpose, those subsidiaries are entitled to the VAT tax refund. The balances as at 31st December, 2003, 31st December, 2004 and 30th June, 2005 were in line with the increase in sales.

Other payables and accruals:

	As at 31st December,			As at
	2002	2003	2004	30th June,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2005
				<i>HK\$'000</i>
Other payables	15,776	121,382	140,379	207,805

Other payables mainly represented amounts due to suppliers of machinery and consumable materials and construction costs accruals. Significant increase in balances as at 31st December, 2003, 31st December, 2004 and 30th June, 2005 reflected the rapid expansion of the Group's business during the Track Record Period.

	As at 31st December,			As at
	2002	2003	2004	30th June,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2005
				<i>HK\$'000</i>
Accruals	10,107	27,372	68,541	67,600

Accruals primarily comprised accrual for staff salary and other staff related costs. In order to cope with the Group's expansion plans and the establishment of Suzhou Dazhi, the number of staff grew rapidly during the Track Record Period, which led to the increase in balances as at 31st December, 2003, 31st December, 2004 and 30th June, 2005.

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Subsequent settlement

Ageing analysis of trade receivables as at 30th June, 2005 with subsequent settlement up to 20th October, 2005 is as follows:

	As at 30th June, 2005 <i>HK\$'000</i>	Subsequent settlement up to 20th October, 2005 <i>HK\$'000</i>	Unsettled Amount <i>HK\$'000</i>
Within 3 months	477,853	280,714	197,139
4-6 months	267,292	263,751	3,541
7-12 months	7,601	6,922	679
Over 1 year	3,448	141	3,307
	<u>756,194</u>	<u>551,528</u>	<u>204,666</u>

Approximately 72.9% of the trade receivables of approximately HK\$552 million for the six months ended 30th June, 2005 was subsequently settled as at 20th October, 2005.

TAXATION

Applicable and effective taxation rates for members of the Group

For each of the three years ended 31 December 2004 and the six months ended 30th June, 2004 and 30th June, 2005, the effective tax rates of our Group were approximately 23.7%, 12%, 8.1%, 6.3% and 14.4% respectively. Since Everyday Computer was entitled to a tax exemption for the year ended 31 December 2002, only profit derived from our Taiwan operations was subject to Taiwan profits tax rate of up to 25%, which resulted in an effective tax rate of approximately 23.7% in 2002.

Following the establishment of Suzhou Dazhi in the second half of 2003 and the growth of the Group's sales in the PRC, more profit was derived from the Group's PRC operations in 2003. Approximately 31% of the Group's profit derived from our Taiwan operations was subject to the Taiwan applicable tax rate of 25%. As Everyday Computer was still entitled to full exemption in 2003 and Suzhou Dazhi had limited operation in 2003 even though Suzhou Dazhi chose to pay tax in 2003 in exchange for the deferral of the commencement of the tax exemption period to 2004, only limited profit derived from our Group's PRC operations was subject to PRC income tax. As a result, our Group's effective tax rate in 2003 dropped to approximately 12%.

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With the continued growth of the business in the PRC after the full operation of Suzhou Dazhi, the profit derived from the PRC operation increased to approximately 88% of the Group's profit in 2004. While Everyday Computer was only entitled to a 50% relief from the income tax during the year 2004, Suzhou Dazhi was entitled to a full income tax exemption. As most of the Group's profit were under preferential tax rates, that is 12% or tax exempted, the Group's effective tax rate further dropped to approximately 8% for the year ended 31 December 2004.

Due to the increase in cost of production materials, labour costs and overhead costs of new production plants, profit derived from the PRC operations decreased and more profits derived from Taiwan operation which was subject to the Taiwan profits tax rate of up to 25%, the Group's effective tax rate increased to 14.4% for the first half of 2005.

Details of the relevant preferential tax treatment of our Group in the PRC are set out in the paragraph below.

The PRC

Our Group's subsidiaries located in the PRC are subject to the PRC tax. Everyday Computer is taxed at a preferential rate of 24% as it is classified as a 生產性外商投資企業 (foreign investment manufacturing enterprise). Everyday Computer is entitled to full exemption from income tax for two years and a 50% relief for the next three years thereafter starting from the first profitable year which was the year ended 31st December, 2002.

In addition, Suzhou Dazhi is also a 生產性外商投資企業 (foreign investment manufacturing enterprise) and is entitled to full exemption from income tax for two years and a 50% relief for the next three years thereafter starting from the first profitable year. However, pursuant to the relevant income tax laws and regulations in the PRC, Suzhou Dazhi is eligible for deferral of its entitlement of the tax exemption to the year commencing 1st January, 2004 as Suzhou Dazhi had commenced operations for less than six months in its first year of entitlement. Accordingly, Suzhou Dazhi provided for income tax at the preferential tax rate for the year ended 31st December, 2003.

Ju Teng Electronics, which is located and operated in 上海松江出口加工區 (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 and a 50% relief for next three years thereafter starting from the first profitable year which was the year ended 31st December, 2003.

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Our Group has been carrying out its operations through a number of Overseas Incorporated Subsidiaries and three PRC manufacturing subsidiaries, namely Everyday Computer, Suzhou Dazhi and Ju Teng Electronics, during the Track Record Period. These Overseas Incorporated Subsidiaries were principally engaged in the procurement and sourcing of production materials for our Group's manufacturing operations in the PRC and also act as the sales booking companies for on-sale of finished goods manufactured by the PRC subsidiaries to end customers. Under the existing operational structure, our Group has been able to obtain bank financing outside the PRC in a more cost effective and flexible manner. Details of the operation arrangements are set out in the paragraph headed "Intra-group operational flow" under the section headed "Business" in this prospectus.

Giant Glory has also provided certain technical support and assistance to Everyday Computer during the Track Record Period, in consideration of which Everyday Computer paid a royalty to Giant Glory, and reimbursed Giant Glory all costs and expenses of the technicians seconded to Everyday Computer in connection therewith.

According to the 關聯企業間業務往來稅務管理實施辦法 (the Implementation Rules for the Administration of Tax Regarding Transactions Among Related Enterprises) ("RPT Tax Rules"), any foreign-owned or foreign-invested enterprise in the PRC which has transactions with its related companies incorporated overseas should file the 《外商投資企業和外國企業與其關聯企業業務往來情況年度申報表》 (Annual Declaration for Transactions with Related Parties for Foreign-owned and Foreign-invested Enterprises) in the PRC. However, both Everyday Computer and Suzhou Dazhi have not duly filed the Annual Declaration for Transactions with Related Parties for Foreign-owned and Foreign-invested Enterprises with the PRC tax authority for the financial years up to 31st December, 2003, while Ju Teng Electronics has duly filed such Annual Declaration with the relevant tax authority regarding its purchase transactions with Hempton, which took place during the year ended 31st December, 2004. All the outstanding filings in respect of the sale and purchase transactions between the Overseas Incorporated Subsidiaries and each of Everyday Computer and Suzhou Dazhi up to the financial year ended 31st December, 2004 have been subsequently made in early 2005.

As advised by our PRC legal advisers, the relevant PRC tax authority may impose on the Group a monetary penalty up to RMB10,000 in respect of its past breach of the filing requirements. The Directors consider that the said penalty is immaterial and will not have any significant impact on the financial position of the Group.

As advised by our PRC legal advisers, under the RPT Tax Rules, the relevant PRC tax authority may re-assess the pricing arrangement for these PRC manufacturing enterprises during the Track Record Period and up to ten years after the relevant sale and purchase transactions with the Overseas Incorporated Subsidiaries and, in the event that the relevant PRC tax authority adjudicates that the Group's pricing arrangement was not on terms comparable with the pricing arrangement among independent enterprises and thereby reduced the income tax payable by these PRC manufacturing enterprises, the relevant PRC tax authority may adjust the income tax payable accordingly.

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According to our PRC legal advisers' enquiry with the branch office of Wu Jiang national tax office in February 2005, it had reviewed the tax filings from each of Everyday Computer and Suzhou Dazhi in respect of the relevant sale and purchase transactions with these Overseas Incorporated Subsidiaries and had not identified any non-compliance of laws and/or regulations or any irregularities therefrom. The said tax office had also confirmed that it had no present intention to pursue an investigation on the pricing arrangements in these transactions or to impose any penalty in respect of such late filings. Despite the risk of re-assessment, on the basis that the two entities were in their respective tax holiday periods, the Directors consider that such re-assessment risk in respect of the tax position of these entities during the Track Record Period is comparatively low. As advised by our PRC legal advisers, Ju Teng Electronics has not been subject to any investigation or re-assessment by the relevant tax authority since its establishment.

Ernst & Young are of the opinion that the pricing policy adopted by our Group in respect of the inter-Group transactions among our Overseas Incorporated Subsidiaries and the PRC subsidiaries (other than the purchase of production materials from Hempton by Ju Teng Electronics) were generally on arm's length basis and the risk for the potential transfer pricing adjustments by the PRC tax authorities is low regarding the purchase of production materials from Hempton by Ju Teng Electronics.

As advised by our PRC legal advisers, save in respect of the aforesaid technical support and assistance, since all the Overseas Incorporated Subsidiaries are not operating their businesses inside the PRC and thus their profit should not be regarded as PRC-sourced, these Overseas Incorporated Subsidiaries are not subject to any requirement for filing and/or payment of the PRC income tax under the relevant PRC tax. With regard to the aforesaid technical support and assistance, while Giant Glory's costs and expenses on the seconded technicians were reimbursed on actual cost basis and therefore no profit had been derived therefrom, the royalty so paid to Giant Glory was regarded as PRC-sourced, and Giant Glory had duly paid the withholding tax and business tax in accordance with the applicable PRC tax laws and regulations during the Track Record Period. As advised by our PRC legal advisers, these Overseas Incorporated Subsidiaries have not violated any applicable PRC tax laws and regulations.

As advised by our PRC legal advisers, each of Everyday Computer, Suzhou Dazhi and Ju Teng Electronics has not violated any applicable PRC tax laws and regulations.

In order to avoid any future tax exposure or disputes with PRC tax authorities in relation to any allegation of transfer pricing constituted by sale and purchase transactions between the Overseas Incorporated Subsidiaries and our subsidiaries in the PRC in future, we are currently in the process of applying for the approval by the relevant PRC tax authorities in respect of the pre-determined price determination mechanism under the aforesaid sale and purchase transactions pursuant to 關聯企業間業務往來預約定價實施規則（試行） (the Provisional Implementation Rules for the Advance Pricing Arrangement for Transactions Between Related Enterprises) promulgated by the PRC

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State Administration of Taxation in September 2004 ("APA Rules"). Pursuant to the APA Rules, our Group may submit the proposed price determination mechanisms under these transactions for approval by the relevant PRC tax authorities, to ensure that these transactions will not be regarded as illegitimate transfer pricing arrangements under the RPT Tax Rules, and thereby subject to possible adjustment of tax payable by our PRC subsidiaries in relation to these transactions pursuant to the RPT Tax Rules. The Directors expect that our Group would take approximately six to nine months to complete the aforesaid application.

Since the Group is not currently subject to any investigation, penalty and/or request for adjustment of tax payable by the PRC tax authority, and each of Everyday Computer, Suzhou Dazhi and Ju Teng Electronics were under a tax holiday during the Track Record Period, the Directors believe that the possibility of any adjustment of tax payable by our Group in relation to these transactions is minimal.

Taiwan

Our Group's subsidiary located in Taiwan, namely Gi Li, is subject to Taiwan profits tax at the statutory rate of up to 25%.

Some of the production materials have been sourced by the Overseas Incorporated Subsidiaries through Gi Li in Taiwan. All the operations of the Overseas Incorporated Subsidiaries were performed in Taiwan. Details of the intra-Group transactions among Gi Li, the Overseas Incorporated Subsidiaries and our PRC subsidiaries are set out in the paragraph headed "Intra-Group operational flow" in the section headed "Business" in the prospectus.

Ernst & Young has explored the possibility that there is possible assessment by the Taiwan tax authority for the income of the Overseas Incorporated Subsidiaries which may give rise to income sourced in Taiwan. As advised by our Taiwan legal advisers, in determining whether a particular income derived by the Overseas Incorporated Subsidiaries should be regarded as "income sourced in Taiwan" under Section 8 of the Taiwan Income Tax Law, the tax authority will principally consider whether those companies have generated such income as a result of the provision of services or discharge of obligations in Taiwan. The fact that any such company (whether through the staff of Gi Li or otherwise) has operations in Taiwan, other than those operations for generating such income as aforesaid, is not a principal factor for the Taiwan tax authority to determine whether that company's income from one particular transaction should be regarded as "income sourced in Taiwan". Accordingly, our Taiwan legal advisers advise that, under the prevailing interpretation and implementation of the relevant provisions in the Taiwan Income Tax Law, the income of the Overseas Incorporated Subsidiaries are not regarded by the Taiwan tax authority as "income sourced in Taiwan" under Section 8 of the Taiwan Income Tax Law. Therefore, these Overseas Incorporated Subsidiaries are not subject to Taiwan income tax and were not

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required to file any tax returns in Taiwan under the then prevailing Taiwan Income Tax Law. As the Overseas Incorporated Subsidiaries are not “person liable to pay tax (納稅義務人)” under section 71 of the Taiwan Income Tax Law, they are not required to file any tax return. As advised by our Taiwan legal advisers, each of these Overseas Incorporated Subsidiaries has not violated any applicable Taiwan tax laws.

Nevertheless, both Ernst & Young and our Taiwan legal advisers are of the view that the Taiwan tax authorities may adjust the income tax payable by Gi Li from the transfer pricing perspective. As advised by our Taiwan legal advisers, under 營利事業所得稅不合常規移轉訂價查核準則 (Business Income Tax Irregular Transfer Pricing Assessment Rules) enacted in Taiwan on 28th December, 2004 and has become effective since 1st January, 2005, if, at any time during the five taxation years after the relevant sale and purchase transactions between Gi Li and these Overseas Incorporated Subsidiaries, the Taiwan tax authority adjudicates that the pricing arrangement for these sale and purchase transactions was unfair and irregular, the Taiwan tax authority may make a deem adjustment of the pricing arrangement and thereby adjust the income tax payable by Gi Li accordingly. However, as advised by our Taiwan legal advisers, no tax penalty will be imposed for any adjustment made in respect of income tax for taxation years prior to 1st January, 2005.

In considering that such interpretation and implementation of these provisions are not codified provisions in the Taiwan Income Tax Law and that the Taiwan tax authorities may, in future, change the taxation law, interpretation and/or implementation policy which may or may not have retrospective effect, and thereby construe that the income of these Overseas Incorporated Subsidiaries are “income sourced in Taiwan” in future, and in considering the possibility for the adjustment of the income tax payable by Gi Li as a result of the deem adjustment of the pricing arrangement as aforesaid, the Directors have made a tax provision in the sum of approximately HK\$55.2 million, based on the Taiwan statutory profits tax rate of up to 25% during the Track Record Period.

Ernst & Young estimates that the maximum Taiwan corporate income tax liabilities are approximately HK\$66.1 million. Ernst & Young considers that it is reasonable to expect that losses in Gi Li and at least some of the losses of the Overseas Incorporated Subsidiaries could be included in the calculation of the potential Taiwan corporate income tax liabilities under a negotiated transfer pricing adjustment settlement with the Ministry of Finance in Taiwan. On the basis that 50% of the losses of the Overseas Incorporated Subsidiaries and the full amount of losses in Gi Li could be utilised when determining the potential Taiwan corporate income tax liabilities, the potential Taiwan corporate income tax liabilities would be at about HK\$54.8 million. Furthermore, there is a sound economic argument that entire losses of the Overseas Incorporated Subsidiaries should be utilised under the transfer pricing adjustments as these are genuine economic losses. Therefore, the potential Taiwan corporate income tax liabilities may be further reduced to approximately HK\$46.5 million. Ernst & Young concurs with the Directors that provisions of approximately HK\$55.2 million for potential Taiwan

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corporate income tax liabilities as at 30th June, 2005 for these companies are sufficient. Ernst & Young has reviewed the tax provisions of our Group for the six months ended 30th June, 2005 and concurs with the Directors that adequate tax provisions has been made by our Group during the Track Record Period. Based on the above, the Sponsors and the Directors consider that our Group has complied with the relevant tax laws in Taiwan and our Group's provision for Taiwan taxes is sufficient and adequate.

Based on the current Taiwan tax law, the statute of limitation is five years. In order to settle the accumulating Taiwan income tax provision, the Directors will consider writing back the accumulated Taiwan income tax provision after five years if the Taiwan tax authorities raise no question in this respect.

In order to prevent any Taiwan tax exposure as well as to simplify the existing tax planning structure of our Group, our Group is currently in the progress of setting up a Macau offshore company to take up the function of sourcing of production materials and performing sales activities currently undertaken by the Overseas Incorporated Subsidiaries. It is the present intention of the Directors that after completion of establishment of the Macau offshore company, the functions of the Overseas Incorporated Subsidiaries will be completely replaced by such newly incorporated Macau offshore company. After that, the Overseas Incorporated Subsidiaries will cease their operations. As at the Latest Practicable Date, the Macau offshore company has not been established and the Group did not have a precise and finalised plan for the new sourcing arrangements through the Macau offshore company.

Based on the results of the analysis of the transfer pricing policy of the transactions between the Overseas Incorporated Subsidiaries and the PRC subsidiaries and the assessment of potential Taiwan corporate income tax liabilities made for the Overseas Incorporated Subsidiaries, Ernst & Young is satisfied that the Directors have taken prudent measures in determining the potential tax obligations of these Overseas Incorporated Subsidiaries.

Hong Kong

Hong Kong profits tax has not been provided for, as our Group did not derive any assessable profit in Hong Kong during the three years ended 31st December, 2004 and the six months ended 30th June, 2005.

Cayman Islands

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

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Deed of indemnity

Under the deed of indemnity given by each of Extrawell, Southern Asia and Mr. Cheng Li-Yu, Mr. Cheng Li-Yen and Mr. Horng Tsai-Chin in favour of our Group prior to the Listing, details of which are set out in paragraph 15 in Appendix VII to the prospectus, each of Extrawell, Southern Asia, Mr. Cheng Li-Yu, Mr. Cheng Li-Yen and Mr. Horng Tsai-Chin have given indemnities to our Group on a joint and several basis in relation to, among other things, taxation, to the extent that provisions for such taxation have not been made in the audited accounts of any member of our Group or otherwise restricted under the deed of indemnity, which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Share Offer becomes unconditional.

The Sponsors are satisfied with the indemnifiers' ability to perform their obligations under the deed of indemnity.

TENANCY AGREEMENTS

Our Group has leased various properties in the PRC, details of which are set out under property items 10 to 15 in Group III in the letter, summary of values and valuation certificate as set out in Appendix V to this prospectus. As advised by our PRC legal advisers, since the relevant tenancy agreements for these leased properties in the PRC have not been registered (and, in respect of property item 11, may not have been registered) with the relevant PRC government authorities, the tenancy agreements cannot be enforceable against third parties and therefore third party having the requisite authority may have the right to evict our Group from the relevant leased properties. In addition, in respect of the staff quarters referred to under property item 11 in Group III in the letter, summary of values and valuation certificate as set out in Appendix V to this prospectus, since the ownership of the lessor of the relevant property and the registration of the tenancy agreement cannot be ascertained, our Group's rights under such tenancy agreement in respect of the relevant leased property may not be legally protected under the relevant the PRC laws.

Furthermore, as advised by our PRC legal advisers, since documents evidencing the construction or use of the ancillary facilities (comprising canteen, boiler room and toilets) referred to under property item 12 in Group III in the letter, summary of values and valuation certificate as set out in Appendix V to this prospectus have not been provided to the Group, if the relevant planning approval requirements in respect of the ancillary facilities had not been complied with, the construction and use of these ancillary facilities by the Group may not be legally protected under the relevant PRC law. The relevant PRC building planning administration authority might demand for the demolition of these ancillary facilities and might impose a penalty for a sum ranging from approximately RMB187,000 to RMB937,000, being 20% and 100% of the construction cost of these ancillary facilities, respectively.

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Our Group has also leased various properties in Taiwan, details of which are set out under items 16 to 24 in Group IV in the letter, summary of values and valuation certificate as set out in Appendix V to this prospectus. As advised by our Taiwan legal advisers, since the relevant property ownership documents or other relevant documents evidencing that the ownership and right to lease of the relevant lessors of, and that for the permitted usage of, the leased properties in Taiwan as set out in items 21 to 24 in the letter, summary of values and valuation certificate as set out in Appendix V to this prospectus have not been provided to our Group, if the lessors of the relevant leased properties were not the owners thereof or otherwise did not have the requisite rights to lease the relevant leased properties, third party having the requisite authority might have the right to evict our Group from the relevant leased properties. Our Group may not be able to continue to use these leased properties for the current purposes if these purposes were adjudicated to be in contravention of the respective permitted usages of the relevant leased properties, and may be subject to penalty ranging from NT\$60,000 to NT\$300,000 for each of such contravention.

The above leased property items 10 to 24 are mostly used by the Group as staff quarters, administrative office, warehouse or car parking only except property item 13 as set out in the letter, summary of values and valuation certificate as set out in Appendix V to this prospectus which is the leased industrial building and ancillary facilities used by Ju Teng Electronics for manufacturing purpose. The Directors consider that similar properties of comparable conditions are available in the proximity thereto. As regards the said leased industrial building and ancillary facilities, the existing production plants of Everyday Computer, Suzhou Dazhi and Ju Teng Electronics can take up the production capacity undertaken by the industrial building and ancillary facilities. Therefore, the Directors do not consider such property to be crucial to the business operations and development of our Group. Nevertheless, in the event that our Group is evicted from any of the above leased properties or otherwise cannot continue to use these leased properties for the current purposes for any of the above reasons, our Group would have to incur additional costs and expenses including relocation costs and maximum potential liabilities for penalty of approximately HK\$971,000 imposed and therefore the financial position of our Group may be affected. With respect to the aforementioned, Southern Asia, Extrawell, Mr. Cheng Li-Yu, Mr. Cheng Li-Yen and Mr. Hong Tsai-Chin have given indemnities to our Group in relation to the potential liabilities for the above leased properties.

DIRECTORS' REMUNERATION

During the year ended 31st December, 2002, the Group recorded a Directors' remuneration of the Group of approximately HK\$727,000.

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During the year ended 31st December, 2003, Directors' remuneration of the Group increased to approximately HK\$1,008,000. Such increase was in line with the growth in turnover and the net profit of the Group to give due recognition and incentive to the contribution of these Directors and senior management to the growth and performance of the Group.

In view of the increased number of senior management of the Group appointed in 2004, Directors' remuneration of our Group reached approximately HK\$2,105,000 and approximately HK\$1,194,000, respectively, for the year ended 31st December, 2004 and the six months ended 30th June, 2005. While the pension scheme contributions of our Directors reached approximately HK\$5,000 and HK\$6,000, respectively, for the year ended 31st December, 2004 and the six months ended 30th June, 2005.

Under the current arrangements, the estimated Directors' remuneration for the year ending 31st December, 2005 will be HK\$4,015,000, excluding discretionary bonuses, if any, payable to the Directors.

DIVIDEND POLICY

The Directors consider that the amount of future dividends to be declared by our Company will depend on our Group's results, working capital requirements, cash positions, the provision of relevant laws of the PRC and other factors that our Directors consider relevant from time to time. Subject to the availability of our cash and distributable reserves, our investment requirement, and the cashflow and the working capital requirements of our Group. The undistributed profit will be used to finance our Group's continued growth and expansion of our business.

DISTRIBUTABLE RESERVES

Our Company had distributable reserves of approximately HK\$772 million available for distribution to the Shareholders as at 30th June, 2005, the date on which our latest financial statements were made up.

We are a holding company and rely on dividends and other distribution on equity paid to us by our subsidiaries. Under the relevant PRC laws, our subsidiaries in the PRC may only declare and pay dividends out of their net income, which is determined based on their retained profits calculated in accordance with the generally accepted accounting principles in the PRC ("PRC GAAP") and financial regulations in the PRC, which may differ in certain material respects from the generally accepted accounting principles of Hong Kong. In addition, under the PRC laws and regulations governing wholly foreign-owned enterprises established in the PRC, our subsidiaries in the PRC are required to set aside certain portion of their net income after tax each year to the statutory reserve funds and employees welfare funds as required under the PRC laws, which are not distributable as dividends. Any limitation on the declaration and/or

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payment of dividends by our subsidiaries in the PRC, whether by virtue of the determination of distributable profits under the PRC GAAP or other appropriation therefrom pursuant to any applicable PRC laws and regulations, would adversely affect our ability to pay dividends to our Shareholders.

NO MATERIAL ADVERSE CHANGE

The Directors confirmed that there is no material adverse change in the financial or trading position or prospects of our Group since 30th June, 2005, the date on which the latest audited consolidated financial statements of the Group (as set out in the Accountants' Report in Appendix I to this prospectus) was made up.

PRO FORMA NET TANGIBLE ASSETS

For illustrative purpose only, the pro forma statement of net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Share Offer and the Capitalisation Issue on the net tangible assets of our Group as at 30th June, 2005 as if they had taken place on 30th June, 2005.

The pro forma statement of net tangible assets of our Group has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of our Group as at 30th June, 2005 or at any future date.

The following pro forma statement of adjusted net tangible assets of the Group is based on the audited combined net assets of the Group as at 30th June, 2005, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus and adjusted as follows:

	Audited combined net assets of the Group as at 30th June, 2005 HK\$'000	Estimated net proceeds from the New Issue HK\$'000 (note 1)	Pro forma adjusted net tangible assets HK\$'000	Pro forma adjusted net tangible assets value per Share HK\$ (note 2)
Based on an Offer Price of HK\$1.24 per Share	<u>780,896</u>	<u>286,800</u>	<u>1,067,696</u>	<u>1.07</u>
Based on an Offer Price of HK\$1.57 per Share	<u>780,896</u>	<u>366,400</u>	<u>1,147,296</u>	<u>1.15</u>

FINANCIAL INFORMATION

Notes:

1. The estimated net proceeds from the New Issue are based on the Offer Price of HK\$1.24 and HK\$1.57 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company.
2. The pro forma adjusted net tangible assets value per Share is arrived at after the adjustments referred to in the preceding paragraph to the minimum and maximum indicative Offer Prices of HK\$1.24 and HK\$1.57, respectively, and on the basis of a total of 1,000,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the Company under the Share Award Plan or pursuant to the general mandates described in the paragraph headed "Resolutions in writing of all Shareholders passed on 17th June, 2005 and 6th October, 2005" in Appendix VII to this prospectus.
3. With reference to the valuation of the Group's property interests as set out in Appendix V to this prospectus, the aggregate revalued amount of the property interests of the Group as at 31st July, 2005 was about HK\$444.50 million. The unaudited net book value of these properties as at 31st July, 2005 was about HK\$436.6 million. Thus, the revaluation surplus is about HK\$7.9 million which has not been included in the above unaudited pro forma adjusted net tangible assets value of the Group. Such a revaluation surplus will not be recorded in the Group's financial statements as the Group accounts for its property interests at cost. If such revaluation surplus was included in the Group's financial statements for the year ended 31st December, 2005, an additional depreciation charge of about HK\$0.4 million per annum would be incurred.

PROFIT FORECAST FOR THE YEAR ENDING 31ST DECEMBER, 2005

Forecast combined profit attributable to

the equity holders of the Company (*Note 1*) not less than HK\$180 million

Forecast earnings per Share on pro forma

fully diluted basis (*Notes 2 and 3*) approximately 18.0 HKcents

Prospective price/earnings multiple on a pro forma

fully diluted basis (*Notes 2 and 3*) 6.9 times
(based on the minimum indicative
Offer Price of HK\$1.24)

8.7 times
(based on the maximum indicative
Offer Price of HK\$1.57)

Notes:

- (1) The bases and assumptions on which the above profit forecast has been prepared is summarised and set out in Appendix IV to this prospectus. The forecast of the combined profit attributable to the equity holders of the Company for the year ending 31st December, 2005 prepared by the Directors is based on the audited combined results of the Group for the six months ended 30th June, 2005, the unaudited management accounts of the Group for the two months ended 31st August, 2005 and a forecast consolidated results of the Group for the remaining four months ending 31st December, 2005.

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- (2) The calculation of the forecast earnings per Share on pro forma fully diluted basis is based on the forecast combined profit attributable to the equity holders of the Company for the year ending 31st December, 2005 and assuming that we had been listed on the Main Board since 1st January, 2005 and a total of 1,000,000,000 Shares had been in issue throughout the year. The calculation does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, any options which have been or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme or which may be allotted and issued or repurchased by us pursuant to the Share Award Plan or the general mandates for the allotment and issue or repurchase of Shares referred to in the paragraph headed "Resolutions in writing of all Shareholders passed on 17th June, 2005 and 6th October, 2005" in Appendix VII to this prospectus.
- (3) No account has been taken of any interest which may have been earned if the estimated net proceeds from the New Issue had been received on 1st January, 2005.

PROPERTIES

Property valuation

Valuations of the property interests of our Group as at 31st July, 2005 have been undertaken by LCH (Asia-Pacific) Surveyors Limited and the texts of its valuation letter, summary of values and valuation certificate are set out in Appendix V to this prospectus. LCH (Asia-Pacific) Surveyors Limited has valued our Group's property interests as at 31st July, 2005 at approximately HK\$444.50 million.

Properties owned in the PRC

Our Group owns the following properties in the PRC:

1. A factory complex located at No. 2 Gua Jing Road, Song Ling Town Economic Development District, Wu Jiang City, Jiang Su Province, the PRC
2. A factory complex located at Gua Jing Road, Song Ling Town Economic Development District, Wu Jiang City, Jiang Su Province, the PRC
3. A factory complex located at Jiu Long Bei Road, Song Ling Town Economic Development District, Wu Jiang City, Jiang Su Province, the PRC
4. A factory complex located at No. 351 Zhong Shan North Road, Song Ling Town Economic Development District, Wu Jiang City, Jiang Su Province, the PRC
5. A factory complex located at No. 255 Rong Xiang Road, Songjiang Export Processing Zone, Shanghai, the PRC

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Properties owned in Taiwan

Our Group owns the following properties in Taiwan:

1. Level 1 of a composite building located at No. 283-2 Min An Road, Hsin Chuang City, Taipei County, Taiwan
2. Level 1 of a composite building located at No. 283-3 Min An Road, Hsin Chuang City, Taipei County, Taiwan
3. Level 1 of a composite building and a carparking space on basement 1 located at No. 287-1 Min An Road, Hsin Chuang City, Taipei County, Taiwan
4. Level 1 of a composite building and two carparking spaces on basement 1 located at No. 287-2 Min An Road, Hsin Chuang City, Taipei County, Taiwan

The table below shows the reconciliation of property interests of the Group from its audited combined financial statements as at 30th June, 2005 to the unaudited net asset value of the property interests of the Group as at 31st July, 2005:

	<i>HK\$'000</i>
Net book value as at 30th June, 2005	429,424
Movement for the month ended 31st July, 2005	
Addition	683
Disposal	–
Depreciation	(1,145)
Exchange realignment	7,630
	<hr/>
Net book value as at 31st July, 2005	436,592
Valuation surplus	7,908
	<hr/>
Valuation as at 31st July, 2005	<u><u>444,500</u></u>

FUTURE PLANS AND PROSPECTS

Our Group's objective is to establish ourselves as a leading casing manufacturer of notebook computers, LCD PCs, LCD TVs, digital cameras and game consoles in the PRC by utilising our expertise in plastic injection moulding, metal tooling and stamping and dust-free spray painting. The Directors believe that the international demand for notebook computers, LCD PCs, LCD TVs, digital cameras and game consoles will continue to show a steady growth which will provide a platform for the growth of our business. Our Group plans to continue to expand our existing production facilities and will continue to dedicate resources towards the development of new categories of products with a view to satisfying the expectation and requirements of our customers.

We intend to implement the following strategies for our future development:

Expansion of production capacity

We have established a new manufacturing plant operated by Ju Teng Electronics and expanded the existing manufacturing plants operated by Everyday Computer and Suzhou Dazhi respectively. In order to take advantage of the cost savings from economies of scale and to satisfy the increasing volume of customers' orders, we intend to further expand our production capacity by installing additional production lines at Everyday Computer, Suzhou Dazhi and Ju Teng Electronics. The Directors believe that increasing our production facilities will allow us to further reduce our unit cost of production and achieve a higher profit margin as a result of the economies of scale. We will continue to monitor our estimated production capacity at full utilisation and the forecast level of demand for our products and continue to expand our facilities as and when appropriate.

Upgrade production technology

In order to capture the increasing market demand for notebook computers and further compete with magnesium casing in terms of market share, our Directors intend to improve our production technology by the installation of new machineries and the introduction of new technology. The Directors believe that the introduction of new technological know-how and expertise will be beneficial to the continuous growth of our Group in terms of market competitiveness and market share.

Research and development

In view of the importance of developing new and advanced products in the future, it is the present intention of the Directors that our Group will focus on technological development in the following areas by means of our internal development: (1) application of in mould decoration, which can be best described as film insert moulding for decorating and manufacturing durable plastic parts; (2) aluminium stamping applied in notebook computers for extra thin casing at 0.5 mm; and (3) three dimensional visual spray printing.

FUTURE PLANS AND USE OF PROCEEDS FROM THE NEW ISSUE

Upstream integration

In order to improve our cost and production efficiency, we plan to acquire interests in mould manufacturing and related businesses which will support our needs for different moulds for the plastic injection, spray painting and metal stamping processes.

Particularly for our Group's production of casings for notebook computers, LCD PCs, digital cameras and game consoles, our Group intends to expand its business by investing in the mould manufacturing business, either by means of acquiring interests in other companies engaged in the manufacture of moulds, casing mechanical manufacture and production materials supplies or by means of establishing joint ventures with experienced manufacturers or suppliers in these areas, which can in turn provide support to the Group's metal tooling needs, as well as its mould development and production.

As at the Latest Practicable Date, our Group has not identified any specific targets for any acquisition or establishment of any mould and mechanical casing manufacture or production materials suppliers business. However, our Group intends to invest in mould manufacture, casing mechanical manufacture and production materials supplies, respectively, either through the establishment of a joint venture company with Independent Third Party/Parties with extensive experience in the aforesaid businesses and/or acquiring equity interests in those companies engaged in the aforesaid businesses. Taking into account the selection criteria with regard to production scale and the positioning in the relevant industry as set out below, the Directors consider that the net proceeds of approximately HK\$114 million to be applied for the aforementioned purposes is reasonable.

Our Group aims to invest in mould manufacture by either acquiring equity interests in a leading mould manufacturer for the casings of notebook computer, game console, LCD PC/TV, mobile phone and other electronic products with production facilities in Eastern China and high production capacity, or by establishing a joint venture for engaging in this business with a manufacturer of such caliber.

For the intended investment in the manufacture of casing mechanical parts, our Group aims to either acquire equity interests in, or establish joint ventures with, a leading mechanical casing manufacturer for the casings of notebook computer, game console, LCD PC/TV, mobile phone and other electronic products with production facilities in Eastern China and high production capacity.

For the intended investment in business for production materials supplies, our Group aims at either acquiring equity interests in, or establishing joint ventures with, a major supplier for plastic resin with a distribution network in Eastern China.

FUTURE PLANS AND USE OF PROCEEDS FROM THE NEW ISSUE

Product diversification

We intend to diversify our existing products to other electronic products' casings. The Directors believe that we may leverage at our relationships with our existing customers and utilise our technological know-how in casing manufacturing to explore production opportunities relating to other personal digital products and consumer electronics products such as mobile phones, PDAs and LCD TVs.

REASONS FOR THE NEW ISSUE AND THE USE OF PROCEEDS

The New Issue will enhance our Group's capital base and provide our Group with additional working capital to implement the future plans set out in the paragraph headed "Future plans and prospects" above.

Based on the Offer Price of HK\$1.405 (being the mid-point of the indicative Offer Price range set out on the cover page of this prospectus) and before any exercise of the Over-allotment Option, the net proceeds from the New Issue, after deducting the relevant expenses, are estimated to be approximately HK\$325.3 million. We intend to apply these net proceeds as follows:

- as to approximately HK\$118 million to acquire new machinery for plastic injection moulding, metal tooling and stamping;
- as to approximately HK\$114 million to fund future investment in, or acquisitions of, interests in other companies engaged in mould manufacture, casing mechanical manufacture and production materials supplies;
- as to approximately HK\$77 million for the repayment of the outstanding bank borrowings: (i) three bank loans in the total principal amount of approximately HK\$46 million drawn under a banking facility with interest rates ranging from 5.48% to 5.62% per annum, each of which will mature on 2nd May, 2007 and was utilised for the procurement of production materials and acquisition of machinery of the Group; and (ii) two bank loans in the aggregate principal amount of approximately HK\$14 million with interest rate of 5.742% per annum which will mature on 2nd March, 2006 and approximately HK\$17 million with interest rate of 5.742% per annum which will mature on 15th March, 2006, both of which were utilised for the procurement of production materials and payment of construction in progress of the Group; and
- the remaining net proceeds as to approximately HK\$16.3 million will be applied as general working capital for financing our Group's purchases of production materials and capital expenditures.

FUTURE PLANS AND USE OF PROCEEDS FROM THE NEW ISSUE

Should the Offer Price be set at the maximum Offer Price of HK\$1.57 instead of HK\$1.405, being the mid-point of the indicative Offer Price, we presently intend to apply the additional net proceeds of approximately HK\$41.2 million in the same manner and proportion as shown above. Should the Offer Price be set at the minimum Offer Price of HK\$1.24 instead of HK\$1.405, being the mid-point of the indicative Offer Price, we presently intend to apply the reduced net proceeds in the amount of approximately HK\$284.1 million in the same manner and proportion as shown above.

Should the Over-allotment Option be exercised in full, we will receive additional net proceeds of approximately HK\$52.9 million (based on the Offer Price of HK\$1.405, being the mid-point of the indicative Offer Price range set out on the cover page of this prospectus) from the New Issue. We presently intend to apply the aforesaid net proceeds in the same manner and in the same proportion as shown above.

To the extent that the net proceeds from the New Issue are not immediately required for the above purposes, it is our intention that they will be placed on short-term interest-bearing deposits with authorised financial institutions and/or licensed banks in Hong Kong.

In view of the rapid growth of the business of our Group during the Track Record Period and the expected growth thereof in the foreseeable future, the Sponsors are of the view that it is reasonable for our Group to apply HK\$114 million of the net proceeds from the New Issue for future investment or acquisition of related businesses of our Group. The Sponsors also consider that the overall plan as to the use of proceeds for the New Issue is fair and reasonable.

Taking into account of the net proceeds from the New Issue and the banking facilities of our Group, the Directors consider that our Group will have sufficient funding to satisfy our Group's business plan.

UNDERWRITING

UNDERWRITERS

Hong Kong Public Offer Underwriters

Joint Lead Managers

SinoPac Securities

Kingsway Financial

Co-managers

Access Capital Limited

BCOM Securities Company Limited

CIMB-GK Securities (HK) Limited

Guotai Junan Securities (Hong Kong) Limited

KGI Capital Asia Limited

Sun Hung Kai International Limited

Tai Fook Securities Company Limited

International Placing Underwriters

Joint Lead Managers

SinoPac Securities

Kingsway Financial

UNDERWRITING ARRANGEMENTS AND EXPENSES

(a) Hong Kong Public Offer

Hong Kong Public Offer Underwriting Agreement

Pursuant to the Hong Kong Public Offer Underwriting Agreement, our Company is offering the Hong Kong Public Offer Shares for subscription pursuant to the Hong Kong Public Offer on and subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price.

UNDERWRITING

Subject to, among other matters, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Public Offer Underwriting Agreement (including, among others, the Global Coordinator (on behalf of the Hong Kong Public Offer Underwriters) and us agreeing on the Offer Price), the Hong Kong Public Offer Underwriters have severally agreed to subscribe for or procure subscribers to subscribe for, their respective applicable proportions of the Hong Kong Public Offer Shares being offered but not taken up under the Hong Kong Public Offer on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Public Offer Underwriting Agreement.

Grounds for termination

The obligations of the Hong Kong Public Offer Underwriters to subscribe for or procure subscribers to subscribe for, the Hong Kong Public Offer Shares not taken up under the Hong Kong Public Offer are subject to termination by notice in writing from the Joint Bookrunners (for themselves and on behalf of the Hong Kong Public Offer Underwriters) if the following events shall occur prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur or come into force:
 - (i) any change or development involving a prospective change in, or any event or series of events resulting in any change in local, national or international financial, legal, political, economic, military, industry, fiscal, regulatory, market (including stock market) or currency matters (including but not limited to a material revaluation of the Hong Kong currency or the Renminbi against any foreign currencies) or conditions in Asia (including Hong Kong, the PRC and Taiwan), the BVI, the Cayman Islands, Europe, Samoa or the US (collectively, the "Relevant Jurisdictions"); or
 - (ii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in any of the Relevant Jurisdictions; or
 - (iii) any event or series of events of force majeure in or affecting any of the Relevant Jurisdictions including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

UNDERWRITING

- (iv) the imposition of economic sanction or withdrawal of trading privileges, in whatever form by the US or by the European Union (or any member thereof) on the BVI, the Cayman Islands, Hong Kong, the PRC, Samoa or Taiwan; or
- (v) any suspension or material limitation in trading in shares or securities generally on the Stock Exchange, or minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the Stock Exchange or by such system or by order of any regulatory or governmental authority, or a disruption has occurred in securities settlement or clearance services or procedures in the Relevant Jurisdictions; or
- (vi) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary and/or the Hong Kong Monetary Authority or other competent authority) or the other Relevant Jurisdictions; or
- (vii) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in the Relevant Jurisdictions; or
- (viii) any change or development involving a prospective change in the condition, financial or otherwise, or in the earnings, business affairs, business prospects or trading position of the Company or any member of the Group, including any litigation or claim of material importance of any third party being threatened or instigated against the Company or any member of the Group; or
- (ix) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk factors" in this prospectus; or
- (x) any outbreak or escalation of hostilities (whether or not war is or has been declared) involving any of the Relevant Jurisdictions or any escalation thereof, or the declaration by any of the Relevant Jurisdictions of a national emergency or war,

and in each case in the opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Public Offer Underwriters):

- (1) is or will be, or is likely to be, adverse, in any material respect, to the business, financial or other conditions or prospects of the Group taken as whole; or

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- (2) has or will have or is likely to have an adverse and material effect on the Share Offer or the full subscription of the Offer Shares; or
- (3) makes it impracticable, inadvisable or inexpedient to proceed with the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or
- (b) there comes to the notice of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Public Offer Underwriters) any matter or event showing any of the representations, warranties and undertakings contained in the Hong Kong Public Offer Underwriting Agreement to be untrue, misleading or inaccurate in any material respect; or
- (c) there comes to the notice of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Public Offer Underwriters) that there has been a breach of any other provisions of the Hong Kong Public Offer Underwriting Agreement which, in any such cases, is considered by the Joint Bookrunners (for themselves and on behalf of the Hong Kong Public Offer Underwriters) to be material in the overall context of the Share Offer; or
- (d) any statement contained in this prospectus and the Application Forms has become or been discovered to be untrue, incorrect or misleading in any material respect; or
- (e) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission herefrom; or
- (f) there shall occur any event, or series of events, beyond the reasonable control of the Joint Bookrunners (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, outbreak of diseases or epidemics including, but not limited to, severe acute respiratory syndrome, avian bird flu and such related/mutated forms or interruption or delay in transportation) which in the opinion of the Joint Bookrunners have or would have the effect of making any part of the Hong Kong Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or

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- (g) there shall have occurred any event, act or omission which gives rise or is likely to give rise to any material liability of the Company pursuant to the indemnities contained in the Hong Kong Public Offer Underwriting Agreement; or
- (h) there shall have been any material adverse change in the business or the financial or trading position or results of operations of any member of our Group since the date of this prospectus; or
- (i) a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity which demand has or could reasonably be expected to have a material adverse effect on our Group taken as a whole; or
- (j) a petition is presented for the winding-up or liquidation of our Company or any member of our Group or our Company or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any member of our Group or anything analogous thereto occurs in respect of our Company or any member of our Group.

Undertakings

Each of Southern Asia and Extrawell has undertaken to and covenanted with our Company, the Global Coordinator, the Hong Kong Public Offer Underwriters and the Sponsors that:

- (a) it shall not, except pursuant to the Stock Borrowing Agreement or pursuant to a pledge or charge of any Shares owned by it as security in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, at any time after the date of this prospectus up to and including the date falling 12 months from the Listing Date (“the Twelve-Month Period”) and unless in compliance with the requirements set out in the Listing Rules:
 - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase

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or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of our Company (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive any such share capital or securities) held by it immediately following the completion of the Share Offer and the Capitalisation Issue; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities, whether such arrangement is to be settled by delivery of share capital or such other securities, in cash or otherwise; or
 - (iii) enter into any transaction with the same economic effect as any transactions described in paragraphs (i) or (ii) above; or
 - (iv) agree or contract to, or publicly announce any intention to enter into any transaction described in paragraphs (i), (ii) or (iii) above; and
- (b) in the event of a disposal of any Shares or any interest therein referred to in paragraph (a) following the expiry of the Twelve-Month Period, it shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares.

Subject to the above, each of Southern Asia and Extrawell has undertaken to and covenanted with each of our Company, the Global Coordinator, the Hong Kong Public Offer Underwriters and the Sponsors that it shall, at any time within the Twelve-Month Period:

- (a) if and when it pledges or charges any Shares, securities or interests in the securities of our Company beneficially owned by it, immediately inform our Company and the Global Coordinator in writing of such pledge or charge together with the number of securities so pledged or charged; and
- (b) if and when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares, securities or interests in the securities of our Company will be disposed of, immediately inform our Company and the Global Coordinator in writing of such indications.

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Our Company undertakes and covenants with the Global Coordinator and the Hong Kong Public Offer Underwriters that our Company shall forthwith inform the Global Coordinator (for itself and on behalf of the Hong Kong Public Offer Underwriters) and the Stock Exchange in writing immediately after it has been informed of the matters referred to in paragraphs (a) and (b) immediately above and our Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

Each of Shine Century Assets Corp. (the controlling shareholder of Southern Asia) and Mr. Horng Tsai-Chin (a substantial shareholder of Extrawell) has undertaken to and covenanted with our Company, the Global Coordinator and the Underwriters that:

- (a) it/ he will not for the Twelve-Month Period:
 - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of Southern Asia (in the case of Shine Century Assets Corp.) and Extrawell (in the case of Mr. Horng Tsai-Chin) (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive any such share capital or securities) held by it/him; or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities, whether such arrangement is to be settled by delivery of share capital of Southern Asia (in the case of Shine Century Assets Corp.) and Extrawell (in the case of Mr. Horng Tsai-Chin) or other securities, in cash or otherwise; or
 - (iii) enter into any transaction with the same economic effect as any transactions described in paragraphs (i) or (ii) above.

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Each of Shine Century Assets Corp. and Mr. Horng Tsai-Chin has further undertaken to and covenanted with each of our Company, the Global Coordinator and the Underwriters that:

- (a) it/he shall procure Southern Asia (in the case of Shine Century Assets Corp.) and Extrawell (in the case of Mr. Horng Tsai-Chin) not to, for the Twelve-Month Period:
 - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the Shares or any interests therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or interests) held by Southern Asia (in the case of Shine Century Assets Corp.) and Extrawell (in the case of Mr. Horng Tsai-Chin) in our Company immediately following the completion of the Share Offer and the Capitalisation Issue; or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares or interests, whether such arrangement is to be settled by delivery of Shares or other securities, in cash or otherwise; or
 - (iii) enter into any transaction with the same economic effect as any transactions described in paragraphs (i) or (ii) above; or
 - (iv) agree or contract to, or publicly announce any intention to enter into any transaction described in paragraphs (i) or (ii) or (iii) above; and
- (b) in the event of a disposal of any Shares or any interests therein referred to in paragraph (a)(i) following the expiry of the Twelve-Month Period, it/ he shall procure Southern Asia (in the case of Shine Century Assets Corp.) and Extrawell (in the case of Mr. Horng Tsai-Chin), to take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares.

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The Trustee has also undertaken to and covenanted with our Company, the Global Coordinator and the Underwriters that it will not, for the Twelve-Month Period,

- (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of Shine Century Assets Corp. (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive any such share capital or securities) held by it in Shine Century Assets Corp.; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities, whether such arrangement is to be settled by delivery of share capital or such other securities, in cash or otherwise; or
- (c) enter into any transaction with the same economic effect as any transactions described in paragraphs (a) or (b) above.

Each of Finance Advance Limited, Pan Yu Ventures Limited, Ace World Investments Limited, Prosper Sino Limited, Willsley Capital Co., Ltd., Elite Services Business Limited and Worldstar Holding Limited has severally undertaken to and covenanted with our Company, the Global Coordinator and the Underwriters that, without the prior written consent of the Global Coordinator (for itself and on behalf of the Underwriters):

- (a) it will not, and shall procure that none of its associates or companies controlled by it will, for the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date ("the Six-Month Period"):
 - (i) offer, sell, contract to sell, sell any option or contract to purchase, purchase any option, or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the Shares or any interests therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or interests) held by it immediately following the completion of the Share Offer and the Capitalisation Issue; or

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares or interests, whether such arrangement is to be settled by delivery of Shares or other securities, in cash or otherwise; or
 - (iii) enter into any transaction with the same economic effect as any transactions described in paragraphs (i) or (ii) above; or
 - (iv) agree or contract to, or publicly announce any intention to enter into any transaction described in paragraphs (i) or (ii) or (iii) above; and
- (b) in the event of a disposal of any Shares or any interest referred to in paragraph (a)(i) following the expiry of the Six-Month Period, it shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares.

Our Company has undertaken to and covenanted with the Global Coordinator, the Underwriters and the Sponsors that:

- (a) except pursuant to the Share Offer, the Capitalisation Issue, the exercise of the Over-allotment Option or the grant of options under the Share Option Scheme or an award of Shares under the Share Award Plan, the exercise of any options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme or by way of scrip dividend schemes or similar arrangements in accordance with the articles of association of our Company, at any time from the period commencing from the date of the Hong Kong Public Offer Underwriting Agreement up to and including the date falling six months after the Listing Date (the "First Six-Month Period"), the Company shall not:
- (i) offer, allot, issue or repurchase, or agree to offer, allot, issue, or repurchase, grant or agree to grant any option, right or warrant to subscribe for, either directly or indirectly, conditionally or unconditionally, any of its share capital or any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital; or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities, whether such arrangement is to be settled by delivery of share capital or such other securities, in cash or otherwise; or

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- (iii) enter into any transaction having the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
 - (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i), (ii) or (iii) above; and
- (b) except pursuant to the grant of options under the Share Option Scheme, an award of Shares under the Share Award Plan, the exercise of options granted under the Share Option Scheme and the Pre-IPO Share Option Scheme, or by way of scrip dividend schemes or similar arrangements in accordance with the articles of association of our Company, at any time during the six-month period immediately following the expiry of the First Six-Month Period, our Company will not, without the Global Coordinator's prior written consent (which consent not to be unreasonably withheld or delayed) and subject to the requirements set out in the Listing Rules, enter into any of the transactions described in paragraphs (a)(i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into such transaction.

(b) International Placing

In connection with the International Placing, it is expected that our Company will enter into the International Placing Underwriting Agreement with, among others, the International Placing Underwriters. Under the International Placing Agreement, the International Placing Underwriters named therein would severally agree to subscribe for or procure subscribers for, their respective applicable portions of the International Placing Shares being offered pursuant to the International Placing.

Our Company intends to grant to the International Placing Underwriters the Over-allotment Option, exercisable by the Global Coordinator on behalf of the International Placing Underwriters within 30 days after the last day for lodging of applications under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 39,000,000 additional new Shares at the Offer Price in connection with over-allocations in the International Placing, if any.

(c) Commission and expenses

The Hong Kong Public Offer Underwriters will, and it is expected that the International Placing Underwriters will, receive a gross commission of 2.5% of the gross proceeds from the New Issue if the gross proceeds raised (final Offer Price multiplied by the aggregate number of Offer Shares issued (excluding any Shares to be issued upon the exercise of the Over-allotment Option)) is less than HK\$351,000,000, out of which the Underwriters will pay any sub-underwriting commission. In addition,

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our Company will give the Joint Bookrunners under the Hong Kong Public Offer Underwriting Agreement, and it is expected that our Company will give the Joint Bookrunners under the International Placing Agreement an aggregate additional incentive fee of 1.0% of the gross proceeds from the New Issue if the gross proceeds raised (excluding proceeds from the issue of new Shares upon the exercise of the Over-allotment Option) is equivalent to or more than HK\$351,000,000. The Sponsors will, in addition, receive a documentation fee. The underwriting commission, the documentation fee, the Stock Exchange listing fees and trading fee, the SFC transaction levy, the investor compensation levy, the legal and other professional fees together with printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$40 million in total (assuming the Over-allotment Option is not exercised and an Offer Price of HK\$1.405, being the mid-point of the stated range of the Offer Price between HK\$1.24 and HK\$1.57 per Share).

INTEREST OF THE SPONSORS AND THEIR ASSOCIATES

Placing agent agreement

On 1st March, 2003, SinoPac Capital Limited ("SinoPac Capital"), an associate of SinoPac Securities, entered into a placing agent agreement (the "Placing Agent Agreement") with Giant Glory pursuant to which SinoPac Capital will procure investors to subscribe for shares in the share capital of Giant Glory.

On 11th April, 2003, 29th January, 2004 and 29th January, 2004, Giant Glory issued 600,000, 1,200,000 and 100,000 of its shares to Ace World Investments Limited, Willsley Capital Co., Ltd. and Worldstar Holding Limited, respectively pursuant to the Placing Agent Agreement. Willsley Capital Co., Ltd., Ace World Investments Limited and Worldstar Holding Limited were independent investors introduced by SinoPac Capital. 53,622,158 Shares, 26,811,086 Shares and 4,468,517 Shares were or will be issued to Willsley Capital Co., Ltd., Ace World Investments Limited and Worldstar Holding Limited respectively pursuant to the Reorganisation and the Capitalisation Issue, representing approximately 5.36%, 2.68% and 0.45% of the enlarged issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option). Pursuant to the Placing Agent Agreement, Sinopac Capital received a placement commission of 3% of the aggregate funds raised from the fund raising exercise, which was approximately HK\$1.48 million.

Documentation fee and underwriting commission

The Sponsors will receive a documentation fee. Some of the Hong Kong Public Offer Underwriters and their affiliates have in the past provided, and may in the future provide, various banking, underwriting and other services to our Group (whether related to the Share Offer or not) for which they have received or may receive customary compensation.

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Save for their obligations under the Underwriting Agreements and as otherwise disclosed in this prospectus, none of the Sponsors and the Underwriters are interested legally or beneficially in any shares of any of the members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of the members of our Group or have any interest in the Share Offer.

Compliance adviser

On 24th October, 2005 we entered into an agreement with SinoPac Securities pursuant to which we have conditionally appointed it as our compliance adviser pursuant to the requirements of Rule 3A.19 of the Listing Rules. In accordance with Rule 3A.19 of the Listing Rules, the appointment is for a term commencing on the Listing Date and ending on the date on which we distribute the annual report for the first full financial year commencing after the Listing Date pursuant to Rule 13.46 of the Listing Rules, unless terminated earlier in accordance with the terms thereof.

During the term of the appointment, SinoPac Securities shall act as our compliance adviser and shall among other things, guide and advise us as to compliance with the Listing Rules and all other guidelines in discharge of its duties under Rule 3A.24 of the Listing Rules.

STRUCTURE OF THE SHARE OFFER

OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.57 and is expected to be not less than HK\$1.24 per Offer Share. Based on the maximum Offer Price of HK\$1.57 per Offer Share, plus 1% brokerage fee, 0.005% SFC transaction levy, 0.002% investor compensation levy and 0.005% Stock Exchange trading fee, one board lot of 2,000 Shares will amount to a total of HK\$3,171.78.

The Offer Price is expected to be determined by our Company and the Global Coordinator (on behalf of the Underwriters) on or before the Price Determination Time.

If, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, the Global Coordinator (on behalf of the Underwriters, and with the consent of our Company) thinks it appropriate (for instance, if the level of interest is below the indicative Offer Price range), the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction of the indicative Offer Price range. Such notice will also include any financial information which may change as a result of any such reduction. **If applications for Hong Kong Public Offer Shares have been submitted prior to the day which is the latest day for lodging applications under the Hong Kong Public Offer, then even if the Offer Price is so reduced, such applications cannot be subsequently withdrawn.**

If, for any reason, the Offer Price is not agreed between our Company and the Global Coordinator (on behalf of the Underwriters) on or before the Price Determination Time, the Share Offer will not proceed and will lapse.

CONDITIONS

Acceptance of all applications for the Share Offer will be conditional upon, inter alia:

- (i) the Listing Committee granting a listing of, and permission to deal in the Shares issued and to be issued as mentioned in this prospectus (including the additional new Shares which may be issued pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to 8:00 a.m. on the date when dealings in the Shares commence on the Stock Exchange;

STRUCTURE OF THE SHARE OFFER

- (ii) the execution and delivery of the International Placing Underwriting Agreement on or before the Price Determination Time;
- (iii) the Offer Price having been duly agreed between our Company and the Global Coordinator (on behalf of the Underwriters) by the Price Determination Time; and
- (iv) the obligations of the Underwriters under the Hong Kong Public Offer Underwriting Agreement and the International Placing Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Joint Bookrunners (on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreements or otherwise, in each case on or before the dates and times specified in the Hong Kong Public Offer Underwriting Agreement and the International Placing Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) or such later date as the Joint Bookrunners may agree with our Company, not being later than 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms. If the above conditions are not fulfilled, all application monies will be returned, without interest, on the terms set out in the section headed “How to apply for the Hong Kong Public Offer Shares” in this prospectus. In the meantime, such monies will be held in a separate bank account with the receiving bankers or other licensed bank(s) in Hong Kong.

Share certificates for the Offer Shares are expected to be issued on Wednesday, 2nd November, 2005 but will only become valid certificates of title at 8:00 a.m. on Thursday, 3rd November, 2005, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination by the Joint Bookrunners under the Hong Kong Public Offer Underwriting Agreement as described in the section headed “Underwriting – Underwriting arrangements and expenses – Grounds for termination” in this prospectus has not been exercised.

OFFER MECHANISM — BASIS OF ALLOCATION OF SHARES

The Share Offer

The Share Offer consists of the Hong Kong Public Offer and the International Placing. The 260,000,000 Shares initially offered will comprise 26,000,000 New Shares being offered under the Hong Kong Public Offer and 234,000,000 New Shares being offered under the International Placing. The 260,000,000 Shares being offered under the Share Offer will represent 26% of the Company’s enlarged share capital immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme).

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Subject to possible reallocation on the basis set forth below, 26,000,000 New Shares, representing 10% of the total number of Shares initially being offered under the Share Offer, will be offered to the public in Hong Kong under the Hong Kong Public Offer.

Out of the total 260,000,000 Shares offered pursuant to the Share Offer, 234,000,000 New Shares, representing 90% of the total number of Shares initially being offered under the Share Offer, will be placed with professional and institutional investors in Hong Kong, Singapore, Europe and elsewhere under the International Placing.

In connection with the Share Offer, our Company intends to grant to the International Placing Underwriters the Over-allotment Option exercisable by the Global Coordinator under the International Placing Underwriting Agreement which is exercisable at any time not later than 30 days from the last day for the lodging of applications under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, our Company may be required to issue up to an aggregate of 39,000,000 additional new Shares (representing 15% of the number of Shares initially being offered under the Share Offer) solely to cover over-allocations in the International Placing. The Global Coordinator may also cover over-allocations in the International Placing by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and the partial exercise of the Over-allotment Option. The number of Shares that may be over-allocated will not exceed the maximum number of Shares that may be issued under the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 28.78% of the Company's enlarged issued share capital immediately after the completion of the Share Offer and the Capitalisation Issue, without taking into account Shares which may fall to be issued upon the exercise of the options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

If the Global Coordinator decides to exercise the Over-allotment Option, it will be exercised solely to cover over-allocations in the International Placing. The International Placing Shares (including any over-allocations) will be allocated prior to the commencement of trading of the Shares on the Stock Exchange.

The level of indication of interest in the International Placing and the basis of allotment and the results of applications under the Hong Kong Public Offer are expected to be published in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese) on or before 2nd November, 2005.

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The net proceeds from the New Issue, after deducting commissions and expenses and assuming an Offer Price of HK\$1.405 per Share (being the mid-point of the stated range of the Offer Price of between HK\$1.24 to HK\$1.57 per Share) and that the Over-allotment Option is not exercised at all, are estimated to be approximately HK\$325.3 million. If the Over-allotment Option is exercised in full and assuming an Offer Price of HK\$1.405 per Share, the Company would receive additional net proceeds (after deducting commissions and expenses attributable to the exercise of the Over-allotment Option) of approximately HK\$52.9 million.

The Hong Kong Public Offer

Our Company is initially offering 26,000,000 Hong Kong Public Offer Shares, representing 10% of the total number of Shares initially being offered under the Share Offer, for subscription by way of a public offer in Hong Kong. The Hong Kong Public Offer Shares are being offered at the Offer Price. The Hong Kong Public Offer is fully underwritten by the Hong Kong Public Offer Underwriters, subject to the terms and conditions of the Hong Kong Public Offer Underwriting Agreement.

The total number of Shares available for subscription under the Hong Kong Public Offer is to be divided equally into two pools for allocation purposes: pool A and pool B. The Shares in pool A will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee payable) or less. The Shares in pool B will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage fee, the SFC transaction levy, the investor compensation levy and the Stock Exchange trading fee payable) and up to the value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Shares in one (but not both) of the pools are undersubscribed, the surplus Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly.

Applicants can only receive an allocation of Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 100% of the total number of Hong Kong Public Offer Shares initially available under pool A or pool B are liable to be rejected. Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received and will not apply for any Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

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The allocation of the Shares between the International Placing and the Hong Kong Public Offer is subject to reallocation. If the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offer will increase to 78,000,000 New Shares, representing 30% of the Shares initially available for subscription under the Share Offer. If the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then the number of Shares to be reallocated to the Hong Kong Public Offer from the International Placing will be increased so that the total number of Shares available for subscription under the Hong Kong Public Offer will be 104,000,000 New Shares, representing 40% of the Shares initially available for subscription under the Share Offer. If the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offer, then the number of Shares to be reallocated to the Hong Kong Public Offer from the International Placing will be increased, so that the total number of Shares available for subscription under the Hong Kong Public Offer will increase to 130,000,000 New Shares, representing 50% of the Shares initially available for subscription under the Share Offer. In each such case, the additional Shares reallocated to the Hong Kong Public Offer will be allocated equally between pool A and pool B and the number of Shares allocated to the International Placing will be correspondingly reduced.

In addition, if the Hong Kong Public Offer is not fully subscribed, the Joint Bookrunners in their discretion may apply for or reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offer to the International Placing.

On the other hand, if the International Placing is not fully subscribed, the Joint Bookrunners may, in their discretion, re-allocate all or any of the unplaced International Placing Shares originally included in the International Placing to the Hong Kong Public Offer in such proportion and in such manner as they consider appropriate.

Allocation of Hong Kong Public Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants but, subject to that, will be made strictly on a pro-rata basis, although this could, where appropriate, involve balloting. Balloting would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

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The International Placing

The number of Shares to be initially offered for subscription under the International Placing will be 234,000,000 New Shares offered by our Company for subscription, representing 90% of the Shares initially available under the Share Offer. The International Placing is expected to be fully underwritten by the International Placing Underwriters, subject to the Price Determination Agreement and the other terms and conditions of the International Placing Underwriting Agreement.

The International Placing Underwriters are soliciting from prospective professional and institutional investors indications of interest in acquiring International Placing Shares in the International Placing. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities and entities which regularly invest in shares and other securities. Prospective professional and institutional investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as “book building”. In Hong Kong, retail investors should apply for Offer Shares in the Hong Kong Public Offer, as retail investors applying for International Placing Shares, including retail investors applying through banks and other institutions, are unlikely to be allocated any International Placing Shares.

Allocation of the International Placing Shares pursuant to the International Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell Shares held by it after the Listing. Such allocation is generally intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of our Company and our Shareholders as a whole.

The International Placing Underwriters or selling agents nominated by the International Placing Underwriters shall, on behalf of our Company, conditionally place the International Placing Shares with professional and institutional investors in Hong Kong, Singapore, Europe and elsewhere. The International Placing shall be subject to the Share Offer restrictions set out under the section headed “Information about this prospectus and the Share Offer” in this prospectus.

The International Placing is expected to be conditional on the same conditions as set out in the section “Conditions” above except for the execution and delivery of the International Placing Underwriting Agreement and the Price Determination Agreement. The total number of International Placing Shares to be allotted and issued pursuant to the International Placing may change as a result of the clawback arrangement referred to in the section headed “Structure of the Share Offer — Offer mechanism — basis of

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allocation of Shares — The Hong Kong Public Offer'' in this prospectus, the exercise of the Over-allotment Option and any reallocation of unsubscribed Shares from the Hong Kong Public Offer to the International Placing and vice versa.

OVER-ALLOTMENT OPTION AND STOCK BORROWING

Under the International Placing Underwriting Agreement, we intend to grant to the International Placing Underwriters the right but not the obligation to exercise the Over-allotment Option, exercisable by the Global Coordinator (for itself and on behalf of the other International Placing Underwriters) at any time up to the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer. The Over-allotment Option will lapse if it is not exercised before that time. Pursuant to the Over-allotment Option, the Global Coordinator will have the right to require our Company to allot and issue up to an aggregate of 39,000,000 additional new Shares, representing 15% of the Shares initially available under the Share Offer at the Offer Price. The Over-allotment Option will be used solely to cover over-allocations in the International Placing, if any. In connection with the Share Offer, the Global Coordinator may, at its option, also cover any over-allocations by, among other means, the purchase of Shares in the secondary market, or by a combination of purchases in the secondary market and partial exercise of the Over-allotment Option.

Any such secondary market purchases will be made at prices not higher than the Offer Price and in compliance with all applicable laws, rules and regulations. The maximum number of Shares that may be over-allocated in the International Placing shall not exceed the number of Shares that may be allotted and issued under the Over-allotment Option.

If the Over-allotment Option is exercised in full, the Offer Shares comprised in the Share Offer will represent approximately 28.78% of the enlarged issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer and the exercise in full of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese).

In order to facilitate settlement of over-allocations in connection with the International Placing, the Stock Borrowing Agreement is intended to be entered into between Southern Asia and the Global Coordinator. Under the Stock Borrowing Agreement, it is expected that Southern Asia will agree with the Global Coordinator that, if requested by the Global Coordinator, Southern Asia will, subject to the terms of the Stock Borrowing Agreement, make available to the Global Coordinator up to 39,000,000 Shares held by it, by way of securities lending, in order to cover over-allocations in connection with the International Placing pending exercise, where appropriate, of the Over-allotment Option granted to the Global Coordinator by our Company. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement of Rule 10.07(1)(a) of

STRUCTURE OF THE SHARE OFFER

the Listing Rules, which restricts the disposal of shares by the controlling shareholders (as defined in the Listing Rules) of a company following its new listing, in order to allow Southern Asia, which is the controlling Shareholder, to enter into and perform its obligations under the Stock Borrowing Agreement on the conditions that:

- (a) the stock borrowing arrangement with Southern Asia will only be effected by the Global Coordinator for settlement of over-allocations in the International Placing;
- (b) the maximum number of Shares which may be borrowed from Southern Asia by the Global Coordinator must not exceed the maximum number of Shares which may be issued by the Company upon full exercise of the Over-allotment Option;
- (c) the same number of Shares borrowed must be returned to Southern Asia or Southern Asia's nominees, as the case may be, not later than three Business Days following the earlier of (i) the day on which the Over-allotment Option is exercised in full; or (ii) the last day on which Shares may be issued by the Company pursuant to the Over-allotment Option (i.e. up to the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer);
- (d) the Stock Borrowing Agreement will be effected in compliance with all applicable laws and regulatory requirements; and
- (e) no payment will be made to Southern Asia by the Global Coordinator in consideration for the borrowed Shares.

STABILISATION IN HONG KONG

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, agree to purchase or purchase, the newly issued securities in the secondary market, during a specific time, so as to retard and, if possible, to prevent a decline in the initial public offer price of the securities. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. In Hong Kong, the stabilisation price will not exceed the initial public offer price. In other jurisdictions, the stabilisation price may or may not be higher than the initial public offer price.

In connection with the Share Offer, the Global Coordinator, as stabilising manager, or any person acting for it, on behalf of the Underwriters, may over-allocate the Shares or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than which might otherwise prevail in the open market for a

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limited period after the last day for the lodging of applications under the Hong Kong Public Offer. In covering such over-allocations, the Global Coordinator may exercise the Over-allotment Option not later than 30 days after the last day for the lodging of applications under the Hong Kong Public Offer or make (or agree, offer or attempt to make) open-market purchases in the secondary market. The Global Coordinator may also sell or agree to sell any Shares acquired in the course of any stabilisation action in order to liquidate any position that has been established by such action. However, there is no obligation on the Global Coordinator to conduct any such stabilising action which, if taken, may be discontinued at any time at the absolute discretion of the Global Coordinator. The number of Shares which may be issued upon the exercise of the Over-allotment Option is 39,000,000 Shares, that is 15% of the Shares initially available for subscription under the Share Offer.

During the stabilising period which will begin on the Listing Date and will end on 27th November, 2005, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer, the Global Coordinator may offer or agree to purchase, or purchase, the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, and which will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules (Subsidiary Legislation W of Chapter 571 of the Laws of Hong Kong) made under the SFO. In connection with any such stabilisation transactions, the Global Coordinator may allocate a greater number of Shares than the number that is initially offered, or sell or agree to sell Shares so as to establish a short position in them. The Global Coordinator may close out any such short position by exercising the Over-allotment Option. The Global Coordinator may also agree to sell or sell any Shares acquired in the course of any stabilisation transactions in order to liquidate any position that has been established by such action. The Global Coordinator may, in connection with the stabilising action, maintain a long position in the Shares. The size of the long position, and the period for which the Global Coordinator will maintain such a position is at the discretion of the Global Coordinator and is uncertain. In the event that the Global Coordinator liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilisation action cannot be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and will end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer. The stabilising period is expected to expire on 27th November, 2005, and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price, could fall.

Investors should be aware that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action. Investors should further note that stabilisation bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Shares.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

There are two ways to make an application for the Hong Kong Public Offer Shares. You may either use an Application Form or you may **electronically** instruct HKSCC to cause HKSCC Nominees Limited to apply for the Hong Kong Public Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC.

(I) APPLYING BY USING AN APPLICATION FORM

Which Application Form to use

Use a **WHITE** Application Form if you want the Hong Kong Public Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees Limited and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

Note: The Hong Kong Public Offer Shares offered for public subscription under the Hong Kong Public Offer are not available to the directors or chief executive of our Group, or existing beneficial owners of Shares or associates of any of them.

Where to collect the prospectus and the Application Forms for the Hong Kong Public Offer Shares

You can collect a **WHITE** Application Form and a prospectus from:

SinoPac Securities (Asia) Limited

23rd Floor,
Two International Finance Centre,
No. 8 Finance Street,
Central,
Hong Kong

Kingsway Financial Services Group Limited

5th Floor, Hutchison House,
10 Harcourt Road,
Central,
Hong Kong

Access Capital Limited

Suite 606, 6th Floor,
Bank of America Tower,
12 Harcourt Road,
Central,
Hong Kong

BCOM Securities Company Limited

3rd Floor, Far East Consortium Building,
121 Des Voeux Road Central,
Hong Kong

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

CIMB-GK Securities (HK) Limited

25th Floor, Centre Tower,
28 Queen's Road Central,
Hong Kong

**Guotai Junan Securities
(Hong Kong) Limited**

27th Floor, Low Block,
Grand Millennium Plaza,
181 Queen's Road Central,
Hong Kong

KGI Capital Asia Limited

27th Floor, ICBC Tower,
Citibank Plaza,
3 Garden Road, Central,
Hong Kong

Sun Hung Kai International Limited

Level 12, One Pacific Place,
88 Queensway,
Hong Kong

Tai Fook Securities Company Limited

25th Floor, New World Tower,
16-18 Queen's Road Central,
Hong Kong

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

or any of the following branches of Standard Chartered Bank (Hong Kong) Limited and Industrial and Commercial Bank of China (Asia) Limited:

Standard Chartered Bank (Hong Kong) Limited

Hong Kong Island:

88 Des Voeux Road Branch	88 Des Voeux Road, Central, Hong Kong
Des Voeux Road Centre Branch	Standard Chartered Bank Building, 4-4A Des Voeux Road, Central, Hong Kong
Central Branch	Shop No. 16, G/F and Lower G/F, New World Tower, 16-18 Queen's Road Central, Hong Kong
Leighton Centre Branch	Shop 12-16, UG/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong
Hennessy Road Branch	399 Hennessy Road, Wanchai, Hong Kong
Quarry Bay Branch	Westlands Gardens, 1027 King's Road, Quarry Bay, Hong Kong

Kowloon:

Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok, Kowloon
Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui, Kowloon
Kwun Tong Branch	88-90 Fu Yan Street, Kwun Tong, Kowloon
Cheung Sha Wan Road Branch	828 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon

New Territories:

Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, No. 298 Sha Tsui Road, Tsuen Wan, New Territories
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HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Industrial and Commercial Bank of China (Asia) Limited

Hong Kong Island:

Queen's Road Central Branch	122-126 Queen's Road Central, Hong Kong
Sheung Wan Branch	152-154 Connaught Road Central, Sheung Wan, Hong Kong
West Point Branch	242-244 Queen's Road West, Hong Kong
Causeway Bay Branch	8 Causeway Road, Causeway Bay, Hong Kong
Wanchai Branch	117-123 Hennessy Road, Wanchai, Hong Kong

Kowloon:

Tsimshatsui East Branch	Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon
Prince Edward Branch	777 Nathan Road, Mongkok, Kowloon
Shamshuipo Branch	G/F, 290 Lai Chi Kok Road, Shamshuipo, Kowloon

New Territories:

Tsuen Wan Branch	339 Sha Tsui Road, Tsuen Wan, New Territories
Tseung Kwan O Branch	Shop Nos. 2011-2012, Level 2, Metro City, Plaza II, 8 Yan King Road, Tseung Kwan O, New Territories

You can collect a **YELLOW** Application Form and a prospectus from:

- the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong;
- the Customer Service Centre of HKSCC at Upper Ground Floor, V-Heun Building, 128-140 Queen's Road Central, Hong Kong; or
- your stockbroker may have application forms available.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

How to complete the Application Forms

There are detailed instructions on each Application Form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected. If your application is made through a duly authorised attorney, we and the Joint Bookrunners (on behalf of the Hong Kong Public Offer Underwriters) as our agents may accept the application at their discretion, and subject to any conditions they think fit, including requiring your attorney to produce evidence of his authority.

In order for the **YELLOW** Application Forms to be valid:

- (a) if the application is made through a designated CCASS Participant, other than a CCASS Investor Participant:
 - (i) the designated CCASS Participant or its authorised signatories must sign in the appropriate box in the Application Form; and
 - (ii) the designated CCASS Participant must endorse the Application Form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box;
- (b) if the application is made by an individual CCASS Investor Participant:
 - (i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card number; and
 - (ii) the CCASS Investor Participant should insert his participant I.D. and sign in the appropriate box in the Application Form;
- (c) if the application is made by joint individual CCASS Investor Participants:
 - (i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card numbers of all joint CCASS Investor Participants; and
 - (ii) the participant I.D. should be inserted and the authorised signatory(ies) of the CCASS Investor Participant stock account should sign in the appropriate box in the Application Form;

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- (d) if the application is made by a corporate CCASS Investor Participant:
 - (i) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration certificate number; and
 - (ii) the participant I.D. and company chop, bearing the applicant's company name, endorsed with its authorised signature(s) should be inserted in the appropriate box in the Application Form; and
- (e) signature(s), number of signatories and form of chop, where appropriate, should match with the records kept by HKSCC. Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of authorised signatory(ies) (if applicable), CCASS Participant I.D. or other similar matters may render the application invalid.

Each **WHITE** or **YELLOW** Application Form must be accompanied by either one separate cheque drawn on the applicant's Hong Kong dollar bank account in Hong Kong and bearing the account name (either pre-printed by the bank or certified by an authorised signatory of such bank on the reverse of the cheque) which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first named applicant) on the relevant Application Form, or one separate banker's cashier order on the reverse of which the bank has certified by an authorised signatory the name of the applicant, which must correspond with the name of the applicant (or, in the case of joint applicants, the name of the first named applicant) on the relevant Application Form. All such cheques or banker's cashier orders must be made payable to "**Horsford Nominees Limited – Ju Teng Public Offer**" as set out in the Application Form and crossed "**Account Payee Only**".

For individual applicants making applications under **WHITE** or **YELLOW** Application Form, you should ensure that your Hong Kong Identity Card numbers or passport numbers are accurately filled in on the Application Form. Please note that the refund cheque in respect of any unsuccessful application will be printed with part of the Hong Kong Identity Card numbers or the passport numbers or the business registration certificate numbers of the relevant applicant and, for joint applicants, with part of the Hong Kong Identity Card numbers or the passport numbers or the business registration certificate numbers of the first-named applicant. When any refund cheque is presented to a bank for deposit, the name and the printed part of the Hong Kong Identity Card or passport number or the business registration certificate number of such applicant as shown on the refund cheque will be checked against the bank's own records on the information of the account holder by the bank. If there is a discrepancy, the bank might request other proof of identity or take other steps for verification, and may reject the deposit of the refund cheque concerned if the bank is unable to satisfy itself with the identity of the payee of the refund cheque concerned. **Any failure to fill in the Hong Kong Identity Card numbers or the passport numbers or the business registration certificate numbers in the Application Form may cause delay or rejection to the cashing of the refund cheque.**

Should you have doubt as to the above, you should enquire with our Hong Kong branch share registrar, Tricor Investor Services Limited.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

(II) APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
Upper Ground Floor
V-Heun Building
128-140 Queen's Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees Limited to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our share registrars.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Application for Hong Kong Public Offer Shares by HKSCC Nominees Limited on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees Limited on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares:

- (i) HKSCC Nominees Limited is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees Limited does the following things on behalf of each such person:
 - agrees that the Hong Kong Public Offer Shares to be allotted shall be issued and registered in the name of HKSCC Nominees Limited and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - undertakes and agrees to accept the Hong Kong Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - undertakes and confirms that that person has not indicated an interest for, applied for or taken up and will not indicate an interest for, apply for or take up any International Placing Shares or otherwise participate in the International Placing;
 - (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
 - (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;
 - understands that the above declaration will be relied upon by our Company, the Directors and the Joint Bookrunners in deciding whether or not to make any allotment of Hong Kong Public Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- authorises our Company to place the name of HKSCC Nominees Limited on the register of members of our Company as the holder of the Hong Kong Public Offer Shares allocated in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund money in accordance with the arrangements separately agreed between our Company and HKSCC;
- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representation save as set out in any supplement thereto;
- agrees that our Company, the Hong Kong Public Offer Underwriters and any of their respective directors, officers, employees, partners, agents or advisers are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agrees to disclose that person's personal data to our Company, our Hong Kong share registrar, the receiving bankers, the Hong Kong Public Offer Underwriters and any of their respective advisers and agents and any information which they may require about that person;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees Limited is accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that that person cannot revoke electronic application instructions before 24th November, 2005, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before 24th November, 2005 except by means of one of the procedures referred to in this prospectus. However, that person may revoke the instructions before 24th November, 2005 if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus:

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- agrees that once the application of HKSCC Nominees Limited is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer to be published;
- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Public Offer Shares; and
- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees Limited shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees Limited (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, the SFC transaction levy, the SFC investor compensation levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the maximum price per Offer Share paid on application, refund of the application monies, in each case including brokerage, the SFC transaction levy, the SFC investor compensation levy and the Stock Exchange trading fee, by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees Limited to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees Limited will be automatically reduced by the number of Hong Kong Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application. Further information is set forth under the paragraphs headed "(III) How many applications you may make" below.

Minimum application amount and permitted multiples

You may give or cause your broker or custodian who is a CCASS Broker Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Such instructions in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the multiples set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Broker/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 25th October, 2005 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 26th October, 2005 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 27th October, 2005 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 28th October, 2005 — 9:00 a.m.⁽¹⁾ to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Broker/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 25th October, 2005 until 12:00 noon on Friday, 28th October, 2005 (24 hours daily, except on the last application day).

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 28th October, 2005, the latest time for lodging applications under the Hong Kong Public Offer, or if the application lists are not open on that day, by the time and dates stated under “Effect of bad weather on the opening of the application lists” below.

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees Limited will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Personal data

The section of the Application Form headed “Personal data” applies to any personal data held by our Company and our Hong Kong branch share registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees Limited.

Warning

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, the Sponsors, the Global Coordinator, the Joint Bookrunners and the Hong Kong Public Offer Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their electronic application instructions, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 28th October, 2005.

(III) HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for Hong Kong Public Offer Shares:

If you are a nominee, you may lodge more than one application in your own name on behalf of different owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- other identification code

for each beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

It will be a term and condition of all applications that by completing and delivering an Application Form or by submitting **electronic application instructions** to HKSCC, you:

- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or through submitting **electronic application instructions** to HKSCC; or
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or through submitting **electronic application instructions** to HKSCC, and that you are duly authorised to sign the application form as that other person's agent or give **electronic application instructions** to HKSCC. All of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:
 - make more than one application (whether individually or jointly) on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- apply (whether individually or jointly) on one **WHITE** Application Form and on **YELLOW** Application Form or on one **WHITE** or **YELLOW** application form and give **electronic application instructions** to HKSCC via CCASS;
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC via CCASS for more than 100% of either pool A or pool B of the Hong Kong Public Offer Shares being initially offered for public subscription; or
- have indicated an interest for or have been or will be placed with International Placing Shares.

All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**). If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for **your benefit** (or for you and your joint applicant's benefit).

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of that company;
- control more than half of the voting power of that company; or
- hold more than half the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

(IV) HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The maximum Offer Price is HK\$1.57 each Share. You must also pay brokerage of 1%, a SFC transaction levy of 0.005%, a SFC investor compensation levy of 0.002% and a Stock Exchange trading fee of 0.005% of the Offer Price in full when you apply for the Hong Kong Public Offer Shares. This means that for every 2,000 Hong Kong Public Offer Shares you will pay HK\$3,171.78. The Application Forms have tables showing the exact amount payable for certain multiples of Hong Kong Public Offer Shares.

You must pay the Offer Price, brokerage, the SFC transaction levy, the SFC investor compensation levy and the Stock Exchange trading fee in full when you apply for the Hong Kong Public Offer Shares. Your payment must be by cheque or banker's cashier order and must comply with the terms of the Application Forms. Your cheque or banker's cashier order will not be presented for payment before 28th October, 2005.

If your application is successful, brokerage will be paid to participants of the Stock Exchange, the transaction levy and investor compensation levy will be paid to the SFC and the trading fee will be paid to the Stock Exchange.

(V) MEMBERS OF THE PUBLIC – TIME FOR APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on 28th October, 2005, or, if the application lists are not open on that day, then by 12:00 noon on the next Business Day on which the lists are open.

Your completed Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of Standard Chartered Bank (Hong Kong) Limited and Industrial and Commercial Bank of China (Asia) Limited listed above at the following times:

Tuesday, 25th October, 2005 — 9:00 a.m. to 4:00 p.m.
Wednesday, 26th October, 2005 — 9:00 a.m. to 4:00 p.m.
Thursday, 27th October, 2005 — 9:00 a.m. to 4:00 p.m.
Friday, 28th October, 2005 — 9:00 a.m. to 12:00 noon

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

(VI) APPLICATION LISTS

The application lists will be open from 11:45 a.m. to 12:00 noon on 28th October, 2005.

Applications for the Hong Kong Public Offer Shares will not be processed, and no allotment of any such Hong Kong Public Offer Shares will be made, until after the closing of the application lists.

(VII) EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal

in force in Hong Kong at any time between **9:00 a.m.** and **12:00 noon** on 28th October, 2005. Instead they will open between **11:45 a.m.** and **12:00 noon** on the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between **9:00 a.m.** and **12:00 noon**.

(VIII) CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Public Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following two situations in which Hong Kong Public Offer Shares will not be allotted to you:

– **Revocation of your application:**

By completing and submitting an Application Form or giving **electronic application instructions**, you agree that you cannot revoke your application before 24th November, 2005 unless a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Your application will take effect as a collateral contract with us, and will become binding when you lodge your Application Form or submit you electronic application instructions. This collateral contract will be in consideration of our agreeing that we will not offer any Offer Shares to any person before 24th November, 2005 except by means of one of the procedures referred to in this prospectus.

If any supplement to this prospectus is issued, applicant who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

For avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

If your application has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times of the basis of allotment, and where such basis of allotment is subject to certain conditions or provides for allotment by ballot, such acceptance will be subject to the satisfaction of such conditions or the results of the ballot, respectively.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

At the full discretion of our Company or its agents

The Company and its agents (including the Joint Bookrunners or their respective agents or nominees) have full discretion to reject or accept any application, or to accept only part of an application, and do not have to give any reason for any rejection or acceptance.

If your application is rejected

You will not receive any allotment if:

- it is a multiple application or a suspected multiple application;
- your Application Form is not filled in correctly in accordance with the instructions thereon;
- you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the International Placing Shares;
- your payment is not made correctly;
- you pay by cheque or banker's cashier's order and the cheque or banker's cashier's order is dishonored on its first presentation;
- your application is for more than 100% of entire pool A or pool B of the Hong Kong Public Offer Shares being initially offered for public subscription; or
- the Company, the Sponsors or the Global Coordinator is/are of the view that by accepting your application, it would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is, or is suspected to have been, completed and/or signed or of any other jurisdiction.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Your application is not accepted

Your application (including the part of an application made by HKSCC Nominees Limited acting upon **electronic application instructions**) will not be accepted if:

- either the Hong Kong Public Offer Underwriting Agreement or the International Placing Underwriting Agreement does not become unconditional; or
 - either the Hong Kong Public Offer Underwriting Agreement or the International Placing Underwriting Agreement is terminated in accordance with its respective terms; or
 - no agreement has been reached on the Offer Price on or before the Price Determination Time.
- **Circumstances in which allotment of Hong Kong Public Offer Shares will be void:**

Your allotment of Hong Kong Public Offer Shares to you or to HKSCC Nominees Limited (if you give electronic application to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Offer Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies us of that longer period within three weeks of the closing of the application lists.

(IX) PUBLICATION OF RESULTS

We expect to release an announcement on the final Offer Price, the level of indication of interest in the International Placing, the results of applications and basis of allotment of Hong Kong Public Offer Shares, the number of Shares, if any, re-allocated between the International Placing and the Hong Kong Public Offer and the Hong Kong Identity Card/passport/business registration certificate number of successful applicants, where applicable, under the Hong Kong Public Offer on or before 2nd November, 2005 in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

(X) DESPATCH AND COLLECTION OF SHARE CERTIFICATES AND/OR REFUND CHEQUES AND DEPOSIT OF SHARE CERTIFICATES INTO CCASS

We will not issue temporary documents of title in respect of the Shares. No receipt will be issued for application monies received.

Share certificates will only become valid certificates of title when the Share Offer has become unconditional in all respects and the Hong Kong Public Offer Underwriting Agreement or International Placing Underwriting Agreement have not been terminated in accordance with their respective terms.

You will receive one share certificate for all the Hong Kong Public Offer Shares issued to you (except pursuant to applications made on **YELLOW** Application Form or by **electronic application instructions** to HKSCC where the share certificates will be deposited into CCASS as described below).

YELLOW application forms or **electronic application instructions**:

If your application is wholly or partially successful, your share certificates will be issued in the name of HKSCC Nominees Limited and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your **YELLOW** Application Form or **electronic application instructions** given to HKSCC (as appropriate) at the close of business on 2nd November, 2005 or, under contingent situation, any other date as shall be determined by HKSCC or HKSCC Nominees Limited.

YELLOW Application Form

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS Participant on 2nd November, 2005.

If you are applying as a CCASS Investor Participant:

- we will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the said newspapers on 2nd November, 2005. You should check against the announcement published by the Company and report any

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

discrepancies to HKSCC before **5:00 p.m.** on 2nd November, 2005 or such other date as shall be determined by HKSCC or HKSCC Nominees Limited. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account) you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your stock account.

If you have applied for 1,000,000 Hong Kong Public Offer Shares or above and have indicated on your Application Form that you wish to collect your refund cheque (if any) in person, please follow the procedures as set out under the paragraph "**WHITE** application forms" below.

If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, or if you have applied for 1,000,000 Hong Kong Public Offer Shares or more and have not indicated on your Application Form that you will collect your refund cheque, or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offer described under the paragraph headed "Conditions" in the section headed "Structure of the Share Offer" in this prospectus are not fulfilled in accordance with their terms, or if any application is revoked or any allotment pursuant thereto have become void, then your refund cheque, if any, will be sent to the address (or in the case of joint applicants, the address of the first applicant) on your Application Form shortly after time specified for collection by ordinary post and at your own risk.

Electronic application instructions by HKSCC via CCASS

- The application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner (if supplied)), your Hong Kong Identity Card/passport number or other identification code (Hong Kong business registration certificate number for corporations) and the basis of allocations of the Hong Kong Public Offer are expected to be published in the newspapers on Wednesday, 2nd November, 2005. You should check the announcement published and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 2nd November, 2005 or such other date as shall be determined by HKSCC or HKSCC Nominees Limited.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 2nd November, 2005, and immediately after the credit of the Hong Kong Public Offer Shares to your CCASS Investor Participant stock account and the credit of any refund monies to your bank account. HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or the difference between the Offer Price and the initial price per Hong Kong Public Offer Share paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.005%, investor compensation levy of 0.002% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 2nd November, 2005. No interest will be paid thereon.

WHITE Application Forms:

If you have applied for 1,000,000 Hong Kong Public Offer Shares or above and have indicated on your Application Form that you wish to collect your share certificates and/or refund cheques, you may collect them in person from:

Tricor Investor Services Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

between **9:00 a.m.** and **1:00 p.m.** on the date notified by us in the said newspapers as the date of despatch of share certificates. This is expected to be on or before 2nd November, 2005.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

You must show your identification documents to collect your share certificates. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives, if applicable, must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited.

If you do not collect your share certificate(s) and/or refund cheque (if any) in person within the time specified for collection, it/they will be sent to you (or in case of joint applicants, the address of first-named applicant) by ordinary post at your own risk to the address on your Application Form after the time specified for collection.

If you have applied for less than 1,000,000 Hong Kong Public Offer Shares or if you have applied for 1,000,000 Hong Kong Public Offer Shares or more and have not indicated on your Application Form that you will collect your share certificate(s) and/or refund cheque (if any) in person, then your share certificate(s) and/or refund cheque will be sent to you (or in the case of joint applicants, the first-named applicant) by ordinary post at your own risk to the address on your Application Form on the date of despatch.

Part of your Hong Kong Identity Card number/passport number/business registration certificate number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number/business registration certificate number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number/business registration certificate number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number/business registration certificate number may lead to delay in encashment of or may invalidate your refund cheque.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

(XI) REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Public Offer Shares for any reason stated herein, the Group will refund your application monies, including brokerage of 1%, SFC transaction levy of 0.005%, SFC investor compensation levy of 0.002% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, the Group will refund to you the appropriate portion of your application monies (including the related brokerage of 1%, SFC transaction levy of 0.005%, SFC investor compensation levy of 0.002% and Stock Exchange trading fee of 0.005%) without interest.

If the Offer Price as finally determined is less than the initial price per Hong Kong Public Offer Share (excluding brokerage, SFC transaction levy, SFC investor compensation levy and Stock Exchange trading fee thereon) paid on application, the Group will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.005%, SFC investor compensation levy of 0.002% and Stock Exchange trading fee of 0.005%, without interest.

(XII) COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board of the Stock Exchange are expected to commence on 3rd November, 2005. Shares will be traded in board lots of 2,000 Shares each. The stock code for our Shares on the Main Board is 3336.

(XIII) SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Main Board as well as the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Main Board or, under contingent situation, on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbroker(s) or other professional adviser(s) for details of those settlements as such arrangements will affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report prepared for the purpose of inclusion in this prospectus, received from the auditors and reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong:



18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

25th October, 2005

The Directors
Ju Teng International Holdings Limited
SinoPac Securities (Asia) Limited
Access Capital Limited

Dear Sirs,

We set out below our report on the financial information regarding Ju Teng International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31st December, 2002, 2003 and 2004 and the six months ended 30th June, 2005 (the "Relevant Periods") prepared on the basis set out in Section 1 below, for inclusion in the prospectus of the Company dated 25th October, 2005 (the "Prospectus").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 12th July, 2004 under the Companies Law Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands for the purpose of acting as the holding company of the subsidiaries set out in Section 1 below (the "Reorganisation"). The Company has not carried on any business since the date of its incorporation, save for the acquisition by way of a share exchange on 17th June, 2005 of the entire issued share capital of Best Alliance Holding Inc., a company incorporated in the British Virgin Islands on 21st April, 2004, the then holding company of the other subsidiaries set out in Section 1 below. Further details of the Reorganisation are set out in the paragraph headed "Group reorganisation" in Appendix VII to the Prospectus.

As at the date of this report, no audited financial statements have been prepared for the Company since the date of its incorporation. The Company, other than in respect of and in connection with the Reorganisation, has not been involved in any significant business transactions since its incorporation. We have, however, performed an independent review of all the relevant transactions of the Company in relation to the Reorganisation for the period since the date of incorporation to the date of this report.

In addition, no audited financial statements of Giant Glory International Limited, Jiu De International Limited, Jiu Ding International Limited, Sincere Joy Corporation, Tri-Great International Limited, Applied Business Company Inc. and ICAN Business Limited have been prepared since their respective dates of incorporation as there is no statutory audit requirement for these companies. No audited financial statements of Grand Develop Investments Limited have been prepared as it was newly incorporated on 18th June, 2004. For the purpose of this report, we have carried out independent audit procedures in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) on the management accounts of these companies for each of the Relevant Periods or since their respective dates of incorporation/registration, which were prepared in accordance with accounting principles generally accepted in Hong Kong.

We have acted as auditors of all of the companies now comprising the Group for each of the Relevant Periods or since their respective dates of incorporation/registration or dates of effective acquisition by the Group, whichever is a shorter period, except as set out below:

Company	Financial period	Auditors
Everyday Computer Components (Suzhou) Co., Ltd. (“Everyday Computer”)	Years ended 31st December, 2002, 2003 and 2004	吳江華正會計師事務所 有限公司 Certified Public Accountants The People’s Republic of China (the “PRC”)
Suzhou Dazhi Communication Accessory Co., Ltd. (“Suzhou Dazhi”)	Period/years ended 31st December, 2002, 2003 and 2004	蘇州天中會計師事務所 有限公司 Certified Public Accountants The PRC
Gi Li Co., Ltd. (“Gi Li”)	Years ended 31st December, 2003 and 2004	漢邦會計師事務所 Certified Public Accountants The Republic of China (the “ROC”)
Hempton International Limited (“Hempton”)	Year ended 31st December, 2004	Deloitte & Touche Certified Public Accountants The ROC
Ju Teng Electronics (Shanghai) Co., Ltd. (“Ju Teng Electronics”)	Year ended 31st December, 2004	上海立信長江會計師事務所 有限公司 Certified Public Accountants The PRC

All companies now comprising the Group have adopted 31st December as their financial year end date.

For the purpose of this report, we have carried out independent audit procedures on the financial statements of Everyday Computer, Suzhou Dazhi, Gi Li, Hempton and Ju Teng Electronics in accordance with HKSAs issued by the HKICPA for each of the Relevant Periods or since their respective dates of incorporation/registration or dates of effective acquisition by the Group, whichever is a shorter period.

We have examined the audited financial statements or, where appropriate, the management accounts of all companies now comprising the Group for each of the Relevant Periods or since their respective dates of incorporation/registration or dates of effective acquisition by the Group, whichever is a shorter period, in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The summaries of the combined results, combined statements of changes in equity and the combined cash flow statements of the Group for each of the Relevant Periods and of the combined balance sheets of the Group as at 31st December, 2002, 2003 and 2004 and 30th June, 2005 and of the balance sheets of the Company as at 31st December, 2004 and 30th June, 2005 (the "Summaries"), together with the notes thereto, set out in this report have been prepared from the audited financial statements or, where appropriate, the management accounts of the companies now comprising the Group, after making such adjustments as considered appropriate, and are presented on the basis set out in Section 1 below.

The directors of the Company are responsible for the preparation of the Summaries which give a true and fair view. It is our responsibility to form an independent opinion on the Summaries and to report our opinion to you.

For the purpose of this report, we have performed a review of the comparative financial information which includes the combined results, combined statement of changes in equity and combined cash flows of the Group for the six months ended 30th June, 2004, together with the notes thereon, (the "30th June, 2004 financial information") for which the directors are responsible, in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope and provides a lower level of assurance than an audit, and accordingly we do not express an audit opinion on the 30th June, 2004 financial information.

In our opinion, on the basis of presentation set out in Section 1 below, the Summaries together with the notes thereto give, for the purpose of this report, a true and fair view of the combined results and combined cash flows of the Group for each of the Relevant Periods and of the combined balance sheets of the Group as at 31st December, 2002, 2003 and 2004 and 30th June, 2005, and of the balance sheets of the Company as at 31st December, 2004 and 30th June, 2005.

Based on our review, for the purpose of this report, we are not aware of any material modification that should be made to the 30th June, 2004 financial information.

1. BASIS OF PRESENTATION

The Summaries, which are based on the audited financial statements or, where appropriate, the management accounts of the companies now comprising the Group, after making such adjustments as considered appropriate, include the combined results, the combined statements of changes in equity, the combined cash flow statements and the combined balance sheets of the companies now comprising the Group, as if the current Group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/registration or dates of effective acquisition by the Group, whichever is a shorter period. All material intra-group transactions and balances have been eliminated on combination.

At the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies (or, if incorporated/registered outside Hong Kong, have characteristics substantially similar to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ registration	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Best Alliance Holding Inc. ("Best Alliance")	British Virgin Islands ("BVI") 21st April, 2004	US\$52,600,000 Ordinary	100%	–	Investment holding
Giant Glory International Limited ("Giant Glory")	Samoa 25th January, 2000	US\$49,777,419 Ordinary	–	100%	Investment holding and sale of notebook computer casings and related materials
Everyday Computer Components (Suzhou) Co., Ltd.	The People's Republic of China (the "PRC") 6th July, 2000	US\$35,000,000	–	100%	Manufacture and sale of notebook computer casings

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ACCOUNTANTS' REPORT OF JU TENG INTERNATIONAL HOLDINGS LIMITED

Company name	Place and date of incorporation/ registration	Nominal value of issued and paid up share/registered capital	Equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Suzhou Dazhi Communication Accessory Co., Ltd.	The PRC 29th September, 2002	US\$54,000,000	–	100%	Manufacture and sale of notebook computer casings
Jiu De International Limited	Samoa 3rd March, 2003	US\$12,800,000 Ordinary	–	100%	Sale of materials for the manufacture of notebook computer casings
Jiu Ding International Limited	Samoa 3rd March, 2003	US\$12,800,000 Ordinary	–	100%	Dormant
Sincere Joy Corporation	Samoa 8th March, 2002	US\$1,000,000 Ordinary	–	100%	Sale of materials for the manufacture of notebook computer casings
Tri-Great International Limited	Samoa 8th February, 2002	US\$1,000,000 Ordinary	–	100%	Sale of notebook computer casings
Applied Business Company Inc.	BVI 18th January, 2002	US\$1,500,000 Ordinary	–	100%	Sale of materials for the manufacture of notebook computer casings
ICAN Business Limited	BVI 28th February, 2002	US\$1,500,000 Ordinary	–	100%	Sale of notebook computer casings
Gi Li Co., Ltd. [#]	The Republic of China (the “ROC”) 14th March, 2002	NT\$5,000,000 Ordinary	–	100%	Sale of notebook computer casings and related materials
Hempton International Limited [*]	Samoa 8th May, 2002	US\$3,500,000 Ordinary	–	100%	Investment holding and sale of paint
Ju Teng Electronics (Shanghai) Co., Ltd. [*]	The PRC 7th June, 2002	US\$10,700,000	–	100%	Dust-free spray painting of notebook computer casings
Grand Develop Investments Limited	Hong Kong 18th June, 2004	HK\$1 Ordinary	–	100%	Provision of general administrative and support services

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Acquired by the Group on 26th November, 2003 (Section 9).

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Acquired by the Group on 30th June, 2004 (Section 9).

2. PRINCIPAL ACCOUNTING POLICIES

The Summaries have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong throughout the Relevant Periods. The Summaries have been prepared under the historical cost convention, except for the periodic remeasurement of derivative financial instruments as further explained below.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1st January, 2005. For the purposes of preparing and presenting financial information of the Relevant Periods, the Group has early adopted the new HKFRSs throughout the Relevant Periods and the following standards have had significant impact on the financial information of the Relevant Periods:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The principal accounting policies adopted by the Group in arriving at the financial information set out in this report, which conform with accounting principles generally accepted in Hong Kong, are set out below:

Subsidiaries

A subsidiary is a company 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 profit and loss account to the extent of dividends received and receivable. The Company's investment in subsidiaries is stated at cost less any accumulated impairment losses.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the combined profit and loss account.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated. 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, 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 profit and loss account in the period in which it arises.

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 an 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 profit and loss account in the period in which it arises.

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset 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 fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life after taking into account its estimated residual value. The estimated useful lives of fixed assets are as follows:

Buildings	20 years
Leasehold improvements	5 to 10 years
Machinery	10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of fixed asset 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 profit and loss account 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 fixed assets 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 fixed assets 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.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less allowance for any uncollectible amounts.

An estimate for doubtful debts for trade and other receivables is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Interest-bearing loans and borrowings

Interest-bearing 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. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

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

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 profit and loss account.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves 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 profit and loss account or in equity if it relates to items that are recognised in the same or a different period directly in equity.

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 goodwill or 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, except 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.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets 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 assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or 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 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.

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 profit and loss account as they become payable in accordance with the rules of the central pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds.

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 profit and loss account 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.

Equity compensation benefits

The Company operates a share option scheme 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").

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. 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, 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 profit and loss account 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.

Foreign currency translation

The functional and presentation currency of the Company is Hong Kong dollars (HK\$). 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 rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate 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 not Hong Kong dollars. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company (i.e., Hong Kong dollars) at exchange rates ruling at the balance sheet date and, their profit and loss accounts 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 profit and loss account.

For the purpose of the combined 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 related to the Group if:

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (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.

Operating 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 profit and loss account 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 amortised on the straight-line basis over the lease terms.

Cash and cash equivalents

For the purpose of the combined 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 combined 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 a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

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. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. 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 are taken directly to profit or loss for the year/period.

3. COMBINED RESULTS

The following is a summary of the combined results of the Group for each of the Relevant Periods which has been prepared on the basis set out in Section 1 above, after making such adjustments as considered appropriate:

		Year ended 31st December,			Six months ended	
		2002	2003	2004	30th June, 2004	2005
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)	
REVENUE						
Sale of goods	(a)	234,632	887,332	1,561,093	656,226	1,096,710
Cost of sales		(166,542)	(659,206)	(1,159,259)	(500,953)	(898,375)
Gross profit		68,090	228,126	401,834	155,273	198,335
Other income and gains, net	(a)	5,634	22,851	21,542	7,154	19,508
Selling and distribution costs		(7,452)	(13,289)	(21,191)	(9,274)	(12,203)
Administrative expenses		(15,206)	(40,841)	(121,574)	(42,690)	(91,372)
Other operating expenses, net		(1,206)	(4,592)	(5,287)	(4,524)	(852)
Finance costs	(b)	(1,481)	(4,954)	(12,557)	(4,120)	(22,267)
PROFIT BEFORE TAX	(c)	48,379	187,301	262,767	101,819	91,149
Tax	(f)	(11,444)	(22,550)	(21,394)	(6,415)	(13,107)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		36,935	164,751	241,373	95,404	78,042
DIVIDENDS	(g)	–	–	–	–	–
EARNINGS PER SHARE	(h)					
– Basic (HK cents)		5.0	22.3	32.6	12.9	10.5
– Diluted (HK cents)		N/A	N/A	N/A	N/A	10.5

(a) Turnover, other income and gains, net

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 the Group's turnover and other income and gains, net, is as follows:

	Year ended 31st December,			Six months ended	
	2002	2003	2004	30th June, 2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Turnover:					
Sale of goods	234,632	887,332	1,561,093	656,226	1,096,710
Other income and gains, net:					
Interest income	76	135	977	282	592
Subcontracting fee income	968	2,698	3,577	3,114	1,473
Gain on disposal of scrap materials	1,296	6,179	7,454	1,692	4,158
Sale of used moulds	3,059	3,535	3,162	1,817	1,305
Excess over the cost of business combination recognised as income	–	10,181	–	–	–
Subsidy income	–	–	5,565	–	–
Exchange gains, net	217	–	–	–	11,422
Others	18	123	807	249	558
	5,634	22,851	21,542	7,154	19,508

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(b) Finance costs

	Year ended 31st December,			Six months ended	
	2002	2003	2004	30th June,	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Interest on bank loans and other loans wholly repayable:					
Within five years	1,481	4,950	16,001	4,089	22,245
Over five years	—	4	72	31	22
	<u>1,481</u>	<u>4,954</u>	<u>16,073</u>	<u>4,120</u>	<u>22,267</u>
Total interest	1,481	4,954	16,073	4,120	22,267
Less: Interest capitalised	—	—	(3,516)	—	—
	<u>1,481</u>	<u>4,954</u>	<u>12,557</u>	<u>4,120</u>	<u>22,267</u>

(c) Profit before tax

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

	Year ended 31st December,			Six months ended	
	2002	2003	2004	30th June,	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Cost of inventories sold	163,838	642,718	1,122,476	491,584	869,960
Auditors' remuneration	28	104	180	–	–
Depreciation	7,590	16,380	48,326	17,683	42,572
Amortisation of lease premium for land	47	88	397	126	172
Minimum lease payments under operating leases:					
Land and buildings	119	397	1,116	480	2,307
Motor vehicles	39	338	1,391	783	1,048
Provision for bad and doubtful debts*	1,000	–	–	–	–
Provision for slow-moving and obsolete inventories**	1,686	4,498	17,674	3,558	9,899
Staff costs (excluding directors' remuneration – note 3(d)):					
Wages and salaries, bonuses, allowances and welfare	33,723	96,209	240,055	87,037	188,882
Pension scheme contributions	711	2,154	7,638	2,328	4,503
Total staff costs	<u>34,434</u>	<u>98,363</u>	<u>247,693</u>	<u>89,365</u>	<u>193,385</u>
Loss on disposal of fixed assets, net	74	41	–	–	34
Exchange losses, net	<u>–</u>	<u>4,504</u>	<u>5,283</u>	<u>4,494</u>	<u>–</u>

* The provision for bad and doubtful debts is included in "Other operating expenses, net" on the face of the combined profit and loss account.

** The provision for slow-moving and obsolete inventories is included in "Cost of sales" on the face of the combined profit and loss account.

(d) Directors' remuneration

Details of directors' remuneration are as follows:

	Year ended 31st December,			Six months ended	
	2002	2003	2004	30th June,	2005
	HK\$'000	HK\$'000	HK\$'000	2004	HK\$'000
				(Unaudited)	
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	727	1,008	2,100	652	1,188
Pension scheme contributions	—	—	5	—	6
	727	1,008	2,105	652	1,194

The remuneration of each of the directors for the year ended 31st December, 2002 is set out below:

Name of director	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Cheng Li-Yu	—	353	—	353
Mr. Cheng Li-Yen	—	374	—	374
Mr. Huang Kuo-Kuang	—	—	—	—
Mr. Tsui Yung Kwok	—	—	—	—
Mr. Horng Tsai-Chin	—	—	—	—
Mr. Yu Chwo-Ming	—	—	—	—
Mr. Tsai Wen-Yu	—	—	—	—
Mr. Lo Ching Pong	—	—	—	—
	—	727	—	727

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The remuneration of each of the directors for the year ended 31st December, 2003 is set out below:

Name of director	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Mr. Cheng Li-Yu	–	449	–	449
Mr. Cheng Li-Yen	–	103	–	103
Mr. Huang Kuo-Kuang	–	456	–	456
Mr. Tsui Yung Kwok	–	–	–	–
Mr. Horng Tsai-Chin	–	–	–	–
Mr. Yu Chwo-Ming	–	–	–	–
Mr. Tsai Wen-Yu	–	–	–	–
Mr. Lo Ching Pong	–	–	–	–
	–	1,008	–	1,008

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

Name of director	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
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

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The remuneration of each of the directors for the six months ended 30th June, 2004 is set out below (Unaudited):

Name of director	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Mr. Cheng Li-Yu	–	210	–	210
Mr. Cheng Li-Yen	–	210	–	210
Mr. Huang Kuo-Kuang	–	232	–	232
Mr. Tsui Yung Kwok	–	–	–	–
Mr. Horng Tsai-Chin	–	–	–	–
Mr. Yu Chwo-Ming	–	–	–	–
Mr. Tsai Wen-Yu	–	–	–	–
Mr. Lo Ching Pong	–	–	–	–
	<u>–</u>	<u>652</u>	<u>–</u>	<u>652</u>

The remuneration of each of the directors for the six months ended 30th June, 2005 is set out below:

Name of director	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Mr. Cheng Li-Yu	–	284	–	284
Mr. Cheng Li-Yen	–	256	–	256
Mr. Huang Kuo-Kuang	–	258	–	258
Mr. Tsui Yung Kwok	–	390	6	396
Mr. Horng Tsai-Chin	–	–	–	–
Mr. Yu Chwo-Ming	–	–	–	–
Mr. Tsai Wen-Yu	–	–	–	–
Mr. Lo Ching Pong	–	–	–	–
	<u>–</u>	<u>1,188</u>	<u>6</u>	<u>1,194</u>

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

(e) Five highest paid employees

The five highest paid employees in the Group included two, two, four, three and four directors during the years ended 31st December, 2002, 2003 and 2004 and the six months ended 30th June, 2004 and 2005, respectively, and the information relating to their remuneration has been disclosed in note (d) above. Details of the remuneration of the remaining three, three, one, two and one, respectively, non-director, highest paid employees during the Relevant Periods are as follows:

	Year ended 31st December,			Six months ended	
	2002	2003	2004	30th June, 2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Salaries, allowances and benefits in kind	253	484	603	751	244
Bonuses	29	23	–	–	–
Pension scheme contributions	2	4	–	–	–
	<u>284</u>	<u>511</u>	<u>603</u>	<u>751</u>	<u>244</u>

The remuneration of each of the non-director, highest paid employees for each of the Relevant Periods fell within the Nil to HK\$1,000,000 band.

During the Relevant Periods, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

(f) Tax

Hong Kong profits tax has not been provided for, as the Group did not have any assessable profits arising in Hong Kong during the Relevant Periods.

Pursuant to an approval document dated 28th December, 2001 issued by the Tax Bureau of Wujiang City, the PRC (the "Tax Bureau"), 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 (生產性外商投資企業). In addition, Everyday Computer is a foreign investment enterprise and is entitled to full exemption from income tax for two years starting from its first profitable year which was the year ended 31st December, 2002, and a 50% relief for the three years thereafter.

Pursuant to an approval document dated 13th April, 2004 issued by the Tax Bureau, 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 (生產性外商投資企業). In addition, Suzhou Dazhi, also a foreign investment enterprise, is entitled to full exemption from income tax for two years starting from its first profitable year, which was the year ended 31st 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 is eligible for deferral of its entitlement of the tax exemption to the year commencing 1st January, 2004 as Suzhou Dazhi had commenced operations for less than six months in its first year of entitlement. Accordingly, Suzhou Dazhi provided for income tax at the preferential tax rate for the year ended 31st December, 2003.

Ju Teng Electronics, which is located at and operates in Shanghai Songjiang Export Processing Zone (上海松江出口加工區), 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 its first profitable year, which was the year ended 31st December, 2003, and a 50% relief for the three years thereafter.

The ROC profits tax has been provided at the rate of 25% on the estimated assessable profits arising in the ROC during the Relevant Periods.

The income tax provision in respect of overseas operations is calculated at the applicable tax rate on the estimated assessable profits, based on existing legislation, interpretations and practices in respect thereof, during each of the Relevant Periods.

	Year ended 31st December,			Six months ended	
	2002	2003	2004	30th June, 2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Provision for the year:					
Mainland China	–	775	13,113	8,076	2,822
Overseas	11,444	21,775	10,733	1,726	11,508
Overprovision in prior years					
– overseas	–	–	(360)	(360)	–
Deferred tax - Section 4(c)	–	–	(2,092)	(3,027)	(1,223)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total tax charge for the year	<u>11,444</u>	<u>22,550</u>	<u>21,394</u>	<u>6,415</u>	<u>13,107</u>

A reconciliation of the tax expense applicable to profit/(loss) 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:

For the year ended 31st December, 2002

	Mainland China		Overseas		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit before tax	5,203		43,176		48,379	
Tax at the statutory tax rate	1,717	33.0	10,794	25.0	12,511	25.9
Preferential tax rates	(1,717)	(33.0)	–	–	(1,717)	(3.5)
Expenses not deductible for tax	–	–	193	0.4	193	0.4
Tax losses not recognised	–	–	457	1.1	457	0.9
Tax charge at the Group's effective rate	–	–	11,444	26.5	11,444	23.7

For the year ended 31st December, 2003

	Mainland China		Overseas		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit before tax	114,213		73,088		187,301	
Tax at the statutory tax rate	37,690	33.0	18,272	25.0	55,962	29.9
Preferential tax rates	(36,915)	(32.3)	–	–	(36,915)	(19.8)
Income not subject to tax	–	–	(2,895)	(4.0)	(2,895)	(1.5)
Expenses not deductible for tax	–	–	265	0.4	265	0.1
Tax losses not recognised	–	–	6,133	8.4	6,133	3.3
Tax charge at the Group's effective rate	775	0.7	21,775	29.8	22,550	12.0

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For the year ended 31st December 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

For the six months ended 30th June, 2004 (Unaudited)

	Mainland China		Overseas		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit/(loss) before tax	109,941		(8,122)		101,819	
Tax at the statutory tax rate	36,281	33.0	(2,031)	25.0	34,250	33.6
Preferential tax rates	(27,661)	(25.2)	-	-	(27,661)	(27.2)
Income not subject to tax	(544)	(0.5)	(92)	1.1	(636)	(0.6)
Expenses not deductible for tax	-	-	462	(5.6)	462	0.5
Tax charge/(credit) at the Group's effective rate	8,076	7.3	(1,661)	20.5	6,415	6.3

For the six months ended 30th June, 2005

	Hong Kong		Mainland China		Overseas		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit/(loss) before tax	(1,025)		47,013		45,161		91,149	
Tax at the statutory tax rate	(179)	17.5	15,514	33.0	11,290	25.0	26,625	29.2
Preferential tax rates	-	-	(14,189)	(30.2)	-	-	(14,189)	(15.6)
Income not subject to tax	-	-	(46)	(0.1)	(149)	(0.3)	(195)	(0.2)
Expenses not deductible for tax	179	(17.5)	492	1.1	195	0.4	866	1.0
Tax charge at the Group's effective rate	-	-	1,771	3.8	11,336	25.1	13,107	14.4

(g) Dividends

No dividend has been paid or declared by the Company since the date of its incorporation. The dividends distributed by the companies now comprising the Group during the Relevant Periods were as follows:

	Year ended 31st December,		Six months ended 30th June,		
	2002	2003	2004	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Everyday Computer	7,021	117,000	85,800	-	-
Less: Intra-group dividend	(7,021)	(117,000)	(85,800)	-	-
	-	-	-	-	-

The dividend rates and the number of shares ranking for dividend, are not presented as such information is not considered meaningful for the purpose of this report.

Except for the cash dividend of HK\$117,000,000 declared by Everyday Computer, the above dividend had been reinvested to Everyday Computer as an additional capital contribution made by Giant Glory, the immediate holding company of Everyday Computer.

(h) Earnings per share

The calculation of basic earnings per share for each of the Relevant Periods is based on the profit attributable to the equity holders of the Company for each of the Relevant Periods, and on the assumption that 740,000,000 shares were deemed to have been in issue or issuable during the Relevant Periods, comprising 52,600,000 shares issued and 687,400,000 shares to be issued pursuant to the Capitalisation Issue, as described more fully in the paragraph headed "Resolutions in writing of all Shareholders passed on 17th June, 2005 and 6th October, 2005" in Appendix VII to the Prospectus.

The calculation of diluted earnings per share for the six months ended 30th June, 2005 is based on the profit attributable to the equity holders of the Company of HK\$78,042,000 and the number of shares as used in the basic earnings per share calculation, adjusted for 21,815 shares assumed to have been issued at no consideration on the deemed exercise of the Pre-IPO share options, on the assumption that the final initial public offering price of the Company's shares is HK\$1.24 per share.

(i) Related party transactions

In addition to the transactions disclosed in Section 4(f), (g), (i), (j) and (k) and Section 9 of this report, the Group had the following material related party transactions during the Relevant Periods:

		Year ended 31st December,			Six months ended	
		2002	2003	2004	30th June,	2005
		HK\$'000	HK\$'000	HK\$'000	2004	2005
					(Unaudited)	
Purchase of production materials from:						
Gi Li (Section 9)	(i)	55,271	193,472	–	–	–
San Li Company Limited ("San Li") (a) [#]	(i)	9,329	1,100	15,835	2,546	7,651
Ta Yu Metallic Hardware Company Limited ("Ta Yu Metallic") (b) [#]	(i)	21,480	18,087	7,388	5,265	433
Sunrise Plastic Injection Company Limited ("Sunrise") (c) [#]	(i)	42	504	6,865	5,295	1,069
San Changs Co., Ltd. ("San Changs") (d) [#]	(i)	–	1	140	38	109
Purchase of moulds from:						
Ta Yu Metallic [#]	(i)	797	5,002	445	429	–
Sale of finished goods to:						
Gi Li	(ii)	–	11,286	–	–	–
San Li [#]	(ii)	30,817	3,087	1,114	705	387
Ta Yu Metallic [#]	(ii)	–	68	13	–	–
Sunrise [#]	(ii)	–	–	1,842	24	2,461
San Changs [#]	(ii)	–	–	–	–	454

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		Year ended 31st December,			Six months ended	
		2002	2003	2004	30th June,	2005
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)	
Sale of production materials to:						
Hempton (Section 9)	(ii)	–	–	2,153	2,153	–
Technical assistance fees paid to:						
Southern Asia Management Limited ("Southern Asia") (a) [#]						
	(iii)	–	3,745	5,469	1,766	5,861
Extrawell Development Limited ("Extrawell") (e) [#]						
	(iii)	–	2,496	2,839	827	2,395
Ever Grand Group Limited ("Ever Grand") (f) [#]						
	(iii)	–	2,025	4,297	1,215	4,324
Interests paid to:						
Southern Asia	(iv)	4	353	109	109	–
Extrawell	(iv)	38	370	–	–	–
Linwood Investments Limited ("Linwood") (h)						
	(iv)	–	–	150	–	–
San Li	(iv)	–	–	236	27	–
Rental expenses paid to:						
San Li Enterprises Company Limited (a) [#]						
	(v)	–	–	53	–	30
Ms. Lin Mei-Li (g) [#]	(v)	–	–	81	35	30
Commission paid to:						
Gi Li	(vi)	364	403	–	–	–

- (a) San Li, San Li Enterprises Company Limited and Southern Asia are controlled by Mr. Cheng Li-Yu, a director of the Company. Southern Asia is also a shareholder of the Company.
- (b) Ta Yu Metallic is controlled by Mr. Horng Tsai-Chin, a director of the Company.
- (c) Sunrise is controlled by Mr. Cheng Li-Yen, a director of the Company.
- (d) San Changs is controlled by Ms. Lin Mei-Li, the spouse of Mr. Cheng Li-Yu, a director of the Company.
- (e) Mr. Horng Tsai-Chin, a director of the Company, is a shareholder of Extrawell. Extrawell is also a shareholder of the Company.
- (f) Ever Grand is controlled by Messrs. Cheng Li-Yu and Cheng Li-Yen, both directors of the Company. Ever Grand was a shareholder of Giant Glory since January 2003 until it disposed of its interest in Giant Glory pursuant to the reorganisation of the Group in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), details of which are set out in the paragraph headed "Group reorganisation" in Appendix VII to the Prospectus.
- (g) Ms. Lin Mei-Li is the spouse of Mr. Cheng Li-Yu, a director of the Company.
- (h) Linwood is controlled by Mr. Cheng Li-Yu, a director of the Company.

Notes:

- (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 two parties.
- (iv) The loans or advances from Southern Asia, Extrawell, 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.
- (vi) Commission was paid to Gi Li for the arrangements of shipments and coordinating with overseas suppliers and was determined at rates mutually agreed between both parties.

The directors are of the opinion that the above transactions were carried out in the ordinary course of business of the Group.

The remuneration of the key management personnel of the Group has been disclosed in Section 3(d) and 3(e) above.

The directors have confirmed that these transactions will continue after the Company's shares are listed on the Stock Exchange.

4. COMBINED BALANCE SHEETS

The following is a summary of the combined balance sheets of the Group as at the end of each of the Relevant Periods and the balance sheets of the Company as at 31st December, 2004 and 30th June, 2005, which have been prepared on the basis set out in Section 1 above, after making such adjustments as considered appropriate:

	<i>Notes</i>	The Group			The Company		
		As at 31st December,			As at	As at 31st	As at
		2002	2003	2004	30th June,	December,	30th June,
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS							
Fixed assets	(a)	127,665	432,099	853,087	1,067,530	-	-
Lease premium for land	(b)	7,816	10,918	15,309	18,590	-	-
Deferred tax assets	(c)	-	-	2,092	3,315	-	-
Prepayments for acquisition of fixed assets		-	-	40,249	25,702	-	-
Investment in subsidiaries	(d)	-	-	-	-	-	777,358
		<u>135,481</u>	<u>443,017</u>	<u>910,737</u>	<u>1,115,137</u>	<u>-</u>	<u>777,358</u>
CURRENT ASSETS							
Inventories	(e)	46,744	159,406	415,515	653,236	-	-
Trade receivables	(f)	120,586	339,192	747,564	756,194	-	-
Prepayments, deposits and other receivables	(g)	5,432	35,755	66,063	91,279	-	-
Derivative financial instruments	(r)	-	-	4,107	8,805	-	-
Pledged bank balances and time deposits	(h)	5,491	30,163	49,981	73,560	-	-
Cash and cash equivalents	(h)	14,948	116,077	145,322	192,457	-	-
		<u>193,201</u>	<u>680,593</u>	<u>1,428,552</u>	<u>1,775,531</u>	<u>-</u>	<u>-</u>
CURRENT LIABILITIES							
Trade and bills payables	(i)	56,160	299,642	433,554	583,320	-	-
Other payables and accruals	(j)	38,604	213,988	209,129	275,405	-	-
Tax payable		11,350	36,037	48,068	57,288	-	-
Interest-bearing bank and other borrowings	(k)	101,648	228,358	770,390	560,543	-	-
		<u>207,762</u>	<u>778,025</u>	<u>1,461,141</u>	<u>1,476,556</u>	<u>-</u>	<u>-</u>
NET CURRENT ASSETS/ (LIABILITIES)		<u>(14,561)</u>	<u>(97,432)</u>	<u>(32,589)</u>	<u>298,975</u>	<u>-</u>	<u>-</u>

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		The Group			The Company		
		As at 31st December,			As at 30th June,	As at 31st December,	As at 30th June,
		2002	2003	2004	2005	2004	2005
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS LESS							
CURRENT LIABILITIES		120,920	345,585	878,148	1,414,112	–	777,358
NON-CURRENT LIABILITIES							
Interest-bearing bank and other borrowings	(k)	–	36,628	175,517	633,216	–	–
		120,920	308,957	702,631	780,896	–	777,358
CAPITAL AND RESERVES							
Issued capital	Section 5	86,288	93,378	410,280	5,260	–	5,260
Reserves	Section 5	34,632	215,579	292,351	775,636	–	772,098
		120,920	308,957	702,631	780,896	–	777,358

(a) Fixed assets

	Buildings	Leasehold improvements	Machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
Cost:							
As at 1st January, 2002	26,518	132	37,274	2,682	818	8,122	75,546
Additions	916	262	42,510	1,617	618	16,141	62,064
Transfers	12,795	-	518	545	-	(13,858)	-
Disposals	-	-	(38)	(19)	(170)	-	(227)
As at 31st December, 2002 and 1st January, 2003	40,229	394	80,264	4,825	1,266	10,405	137,383
Additions	1,249	260	117,004	3,723	1,567	194,850	318,653
Acquisition of a subsidiary (Section 6(a))	866	318	-	1,122	144	-	2,450
Transfers	63,367	-	67,890	618	379	(132,254)	-
Disposals	-	-	(14)	-	(107)	(31)	(152)
Exchange realignment	5	2	-	6	1	-	14
As at 31st December, 2003 and 1st January, 2004	105,716	974	265,144	10,294	3,250	72,970	458,348
Additions	12,307	1,696	241,839	19,745	4,002	131,774	411,363
Acquisition of subsidiaries (Section 6(a))	-	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
As at 31st December, 2004 and 1st January, 2005	294,017	7,445	544,026	35,050	8,328	44,300	933,166
Additions	1,953	2,107	144,308	8,527	2,381	100,053	259,329
Transfers	54,749	-	3,120	4,331	549	(62,749)	-
Disposals	-	-	(2,398)	(16)	-	(1,149)	(3,563)
Exchange realignment	81	33	-	121	8	-	243
As at 30th June, 2005	350,800	9,585	689,056	48,013	11,266	80,455	1,189,175

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	Buildings	Leasehold improvements	Machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accumulated depreciation:							
As at 1st January, 2002	596	8	1,314	187	71	–	2,176
Provided during the year	1,532	31	5,210	615	202	–	7,590
Disposals	–	–	(5)	(2)	(41)	–	(48)
As at 31st December, 2002 and 1st January, 2003	2,128	39	6,519	800	232	–	9,718
Provided during the year	2,907	85	11,869	1,092	427	–	16,380
Acquisition of a subsidiary (Section 6(a))	77	6	–	62	40	–	185
Disposals	–	–	(3)	–	(32)	–	(35)
Exchange realignment	1	–	–	–	–	–	1
As at 31st December, 2003 and 1st 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 (Section 6(a))	–	2,683	2,495	194	116	–	5,488
Exchange realignment	1	1	–	12	2	–	16
As at 31st December, 2004 and 1st January, 2005	13,313	5,301	53,931	5,652	1,882	–	80,079
Provided during the period	7,104	103	30,797	3,631	937	–	42,572
Disposals	–	–	(1,028)	(6)	–	–	(1,034)
Exchange realignment	4	–	–	20	4	–	28
As at 30th June, 2005	<u>20,421</u>	<u>5,404</u>	<u>83,700</u>	<u>9,297</u>	<u>2,823</u>	<u>–</u>	<u>121,645</u>
Net book value:							
As at 30th June, 2005	<u>330,379</u>	<u>4,181</u>	<u>605,356</u>	<u>38,716</u>	<u>8,443</u>	<u>80,455</u>	<u>1,067,530</u>
As at 31st December, 2004	<u>280,704</u>	<u>2,144</u>	<u>490,095</u>	<u>29,398</u>	<u>6,446</u>	<u>44,300</u>	<u>853,087</u>
As at 31st December, 2003	<u>100,603</u>	<u>844</u>	<u>246,759</u>	<u>8,340</u>	<u>2,583</u>	<u>72,970</u>	<u>432,099</u>
As at 31st December, 2002	<u>38,101</u>	<u>355</u>	<u>73,745</u>	<u>4,025</u>	<u>1,034</u>	<u>10,405</u>	<u>127,665</u>

The Group's buildings as at 30th June, 2005 were held under the following lease terms:

	<i>HK\$'000</i>
Freehold outside Hong Kong	1,298
Medium term leases outside Hong Kong	<u>329,081</u>
	<u>330,379</u>

At 30th June, 2005, certain of the above buildings and machinery with an aggregate net book value of approximately HK\$633,965,000 were pledged to secure certain banking facilities granted to the Group.

(b) Lease premium for land

	<i>HK\$'000</i>
Cost:	
As at 1st January, 2002	2,358
Additions	5,579
	<hr/>
As at 31st December, 2002 and 1st January, 2003	7,937
Additions	1,966
Acquisition of a subsidiary (Section 6(a))	1,224
	<hr/>
As at 31st December, 2003 and 1st January, 2004	11,127
Additions	2,580
Acquisition of subsidiaries (Section 6(a))	2,234
	<hr/>
As at 31st December, 2004 and 1st January, 2005	15,941
Additions	3,453
	<hr/>
As at 30th June, 2005	19,394
	<hr/> <hr/>

HK\$'000

Accumulated amortisation:

As at 1st January, 2002 74

Amortisation for the year 47

As at 31st December, 2002 and 1st January, 2003 121

Amortisation for the year 88

As at 31st December, 2003 and 1st January, 2004 209

Amortisation for the year 397

Acquisition of subsidiaries (Section 6(a)) 26

As at 31st December, 2004 and 1st January, 2005 632

Amortisation for the period 172

As at 30th June, 2005 804

Net book value:

As at 30th June, 2005 18,590

As at 31st December, 2004 15,309

As at 31st December, 2003 10,918

As at 31st December, 2002 7,816

The land of the Group as at 30th June, 2005 was held under the following lease terms:

HK\$'000

Freehold outside Hong Kong 2,767

Medium term leases outside Hong Kong 15,823

18,590

At 30th June, 2005, certain of the Group's land with an aggregate net book value of approximately HK\$16,098,000 was pledged to secure certain banking facilities granted to the Group.

(c) Deferred tax assets

Losses available for offset against future taxable profit:

	As at 31st December,			As at
	2002	2003	2004	30th June,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2005
				<i>HK\$'000</i>
At beginning of year/period	–	–	–	2,092
Deferred tax credited to the profit and loss account during the year/period				
– Section 3(f)	–	–	2,092	1,223
	<u>–</u>	<u>–</u>	<u>2,092</u>	<u>1,223</u>
At end of year/period	<u>–</u>	<u>–</u>	<u>2,092</u>	<u>3,315</u>

At 30th June, 2005, the Group had tax losses arising in the PRC and the ROC of approximately HK\$14,008,000 and HK\$9,060,000, 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.

(d) Investment in subsidiaries**The Company**
HK\$'000

Unlisted shares, at cost	<u>777,358</u>
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Particulars of the subsidiaries of the Company at the date of this report are set out in Section 1 above.

(e) Inventories

	As at 31st December,			As at
	2002	2003	2004	30th June,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2005
				<i>HK\$'000</i>
Production materials	6,347	89,221	210,547	276,748
Work in progress	15,072	30,192	97,305	211,068
Finished goods	23,943	26,375	75,863	137,965
Moulds and consumable tools	1,382	13,618	31,800	27,455
	<u>46,744</u>	<u>159,406</u>	<u>415,515</u>	<u>653,236</u>

The carrying amounts of inventories carried at net realisable value included in the above balance were nil, HK\$5,672,600, nil and HK\$9,185,000 as at 31st December, 2002, 2003 and 2004, and 30th June 2005, respectively.

(f) Trade receivables

The general credit terms of the Group range from 90 days to 120 days. An aged analysis of the Group's trade receivables as at the balance sheet date of each of the Relevant Periods, based on invoice date, is as follows:

	As at 31st December,			As at
	2002	2003	2004	30th June,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2005
				<i>HK\$'000</i>
Within 3 months	101,857	265,498	510,700	477,853
4-6 months	18,729	71,045	223,422	267,292
7-12 months	–	2,649	9,738	7,601
Over 1 year	–	–	3,704	3,448
	<u>120,586</u>	<u>339,192</u>	<u>747,564</u>	<u>756,194</u>

Included in the Group's trade receivables at the balance sheet date of each of the Relevant Periods 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.

		As at 31st December,			As at
		2002	2003	2004	30th June,
	Notes	HK\$'000	HK\$'000	HK\$'000	2005
					HK\$'000
San Li	Section 3(i)	14,933	1,540	564	373
Ta Yu Metallic	Section 3(i)	–	57	15	3
Sunrise	Section 3(i)	–	–	1,540	908
San Changs	Section 3(i)	–	–	–	454
		<u>14,933</u>	<u>1,597</u>	<u>2,119</u>	<u>1,738</u>

At 30th June, 2005, certain of the Group's trade receivables amounting to HK\$394,859,000 in aggregate, were pledged to secure certain banking facilities granted to the Group.

(g) Prepayments, deposits and other receivables

	As at 31st December,			As at
	2002	2003	2004	30th June,
	HK\$'000	HK\$'000	HK\$'000	2005
				HK\$'000
Prepayments	2,028	14,119	37,662	48,723
Deposits and other receivables	3,088	21,446	28,082	42,556
Due from related companies	<u>316</u>	<u>190</u>	<u>319</u>	<u>–</u>
	<u>5,432</u>	<u>35,755</u>	<u>66,063</u>	<u>91,279</u>

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

	As at 31st December,			As at
	2002	2003	2004	30th June,
	HK\$'000	HK\$'000	HK\$'000	2005
				HK\$'000
San Li	316	190	156	–
Sunrise	<u>–</u>	<u>–</u>	<u>163</u>	<u>–</u>
	<u>316</u>	<u>190</u>	<u>319</u>	<u>–</u>

The maximum amounts outstanding during each of the Relevant Periods are as follows:

	Year ended 31st December,			Six months ended
	2002	2003	2004	30th June, 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
San Li	316	316	190	156
Sunrise	–	–	163	163
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

(h) Cash and cash equivalents

	As at 31st December,			As at
	2002	2003	2004	30th June, 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	14,562	116,077	145,322	192,457
Time deposits	<u>5,877</u>	<u>30,163</u>	<u>49,981</u>	<u>73,560</u>
Total cash and bank balances and time deposits	20,439	146,240	195,303	266,017
Less: Pledged bank balances and time deposits (Section 4(k))	<u>(5,491)</u>	<u>(30,163)</u>	<u>(49,981)</u>	<u>(73,560)</u>
Cash and cash equivalents	<u>14,948</u>	<u>116,077</u>	<u>145,322</u>	<u>192,457</u>

The Group's pledged bank balances and time deposits were applied to secure certain banking facilities granted to the Group.

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.

The cash and cash equivalents which were subject to exchange and/or remittance restrictions in the PRC or the ROC amounted to approximately HK\$7,328,000, HK\$47,242,000, HK\$44,117,000 and HK\$120,687,000 as at 31st December, 2002, 2003 and 2004 and 30th June, 2005, respectively.

(i) Trade and bills payables

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

	As at 31st December,			As at
	2002	2003	2004	30th June, 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	46,766	214,867	383,486	494,739
4-6 months	5,760	81,873	40,779	71,905
7-12 months	3,634	2,902	5,321	14,170
Over 1 year	—	—	3,968	2,506
	<u>56,160</u>	<u>299,642</u>	<u>433,554</u>	<u>583,320</u>

Included in the Group's trade and bills payables at the balance sheet date of each of the Relevant Periods 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.

		As at 31st December,			As at
		2002	2003	2004	30th June,
		2002	2003	2004	2005
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gi Li	Section 9	21,982	–	–	–
San Li	Section 3(i)	2,680	6,841	10,264	6,684
Ta Yu Metallic	Section 3(i)	6,777	14,122	2,583	535
Sunrise	Section 3(i)	–	3,728	2,453	1,261
San Changs	Section 3(i)	–	69	148	6
Southern Asia	Section 3(i)	–	2,922	1,287	–
Extrawell	Section 3(i)	–	1,789	936	–
Ever Grand	Section 3(i)	–	1,664	1,388	–
		<u>31,439</u>	<u>31,135</u>	<u>19,059</u>	<u>8,486</u>

(j) Other payables and accruals

		As at 31st December,			As at
		2002	2003	2004	30th June,
		2002	2003	2004	2005
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables		15,776	121,382	140,379	207,805
Accruals		10,107	27,372	68,541	67,600
Due to related companies	(i)	12,721	2,071	209	–
Due to shareholders	(ii)	–	63,163	–	–
		<u>38,604</u>	<u>213,988</u>	<u>209,129</u>	<u>275,405</u>

(i) The amounts due to related companies are as follows:

		As at 31st December,			As at
		2002	2003	2004	30th June,
		2002	2003	2004	2005
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gi Li		9,127	–	–	–
San Li		47	196	209	–
Ta Yu Metallic		3,547	1,875	–	–
		<u>12,721</u>	<u>2,071</u>	<u>209</u>	<u>–</u>

APPENDIX I

ACCOUNTANTS' REPORT OF JU TENG INTERNATIONAL HOLDINGS LIMITED

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

(ii) The amounts due to shareholders are as follows:

	As at 31st December,			As at
	2002	2003	2004	30th June,
	HK\$'000	HK\$'000	HK\$'000	2005
				HK\$'000
Southern Asia	–	53,249	–	–
Extrawell	–	9,914	–	–
	<u>–</u>	<u>63,163</u>	<u>–</u>	<u>–</u>
	<u>–</u>	<u>63,163</u>	<u>–</u>	<u>–</u>

The amounts due to shareholders are unsecured, interest-free and have no fixed terms of repayment, except for an amount due to Southern Asia of HK\$35,158,000 at 31st December, 2003, which bore interest at a rate of 7% per annum.

(k) Interest-bearing bank and other borrowings

	As at 31st December,			As at
	2002	2003	2004	30th June,
	HK\$'000	HK\$'000	HK\$'000	2005
				HK\$'000
Bank loans:				
Secured	101,648	186,223	757,369	1,166,393
Unsecured	<u>–</u>	<u>55,135</u>	<u>188,538</u>	<u>27,366</u>
	101,648	241,358	945,907	1,193,759
Other loans:				
Unsecured	<u>–</u>	<u>23,628</u>	<u>–</u>	<u>–</u>
	<u>101,648</u>	<u>264,986</u>	<u>945,907</u>	<u>1,193,759</u>

APPENDIX I**ACCOUNTANTS' REPORT OF JU TENG
INTERNATIONAL HOLDINGS LIMITED**

	As at 31st December,			As at
	2002	2003	2004	30th June,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2005</i>
				<i>HK\$'000</i>
Bank loans repayable:				
Within one year	101,648	204,730	770,390	560,543
In the second year	–	35,458	156,290	621,984
In the third to fifth years, inclusive	–	420	17,885	9,996
Beyond five years	–	750	1,342	1,236
	<u>101,648</u>	<u>241,358</u>	<u>945,907</u>	<u>1,193,759</u>
Other loans repayable:				
Within one year	<u>–</u>	<u>23,628</u>	<u>–</u>	<u>–</u>
Total bank and other loans	101,648	264,986	945,907	1,193,759
Less: Portion classified as current liabilities	<u>(101,648)</u>	<u>(228,358)</u>	<u>(770,390)</u>	<u>(560,543)</u>
Non-current portion	<u>–</u>	<u>36,628</u>	<u>175,517</u>	<u>633,216</u>

The Group's bank and other borrowings bear interest at rates as set out below:

	As at 31st December,			As at
	2002	2003	2004	30th June,
				2005
Bank loans	1.91%-5.00%	1.28%-5.04%	1.51%-5.75%	2.72%-5.75%
Other loans	<u>–</u>	<u>5.3%</u>	<u>–</u>	<u>–</u>

As at 30th June, 2005, 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\$650,063,000;
- (ii) floating charges over certain of the Group's trade receivables of HK\$394,859,000 in aggregate;

- (iii) the pledge of certain of the Group's bank balances and time deposits amounting to HK\$73,560,000;
- (iv) joint and several personal guarantees executed by Messrs. Cheng Li-Yu, Cheng Li-Yen and Horng Tsai-Chin, directors of the Company, to the extent of HK\$463,469,000; and
- (v) a personal guarantee executed by Mr. Cheng Li-Yu, a director of the Company, to the extent of HK\$333,298,000.

The Group has obtained written consent, in principle, from its banks to the effect that the above personal guarantees will be released, and replaced by a corporate guarantee to be provided by the Company upon the listing of the Company's shares on the Stock Exchange.

(l) **Contingent liabilities**

The Group and the Company did not have any material contingent liabilities at the end of each of the Relevant Periods.

(m) **Operating lease arrangements**

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 end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31st December,			As at
	2002	2003	2004	30th June,
	HK\$'000	HK\$'000	HK\$'000	2005
				HK\$'000
Within one year	87	755	5,697	5,802
In the second to fifth years, inclusive	389	3,229	14,602	14,785
	476	3,984	20,299	20,587

(n) Capital commitments

In addition to the operating lease commitments detailed in Section 4(m) above, the Group had the following commitments as at the balance sheet date:

	As at 31st December,			As at
	2002	2003	2004	30th June,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2005
				<i>HK\$'000</i>
Contracted, but not provided for:				
Land and buildings	35,944	34,005	79,002	20,408
Machinery	–	13,611	59,311	90,174
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital commitments	<u>35,944</u>	<u>47,616</u>	<u>138,313</u>	<u>110,582</u>

The Company did not have any significant commitments as at 30th June, 2005.

(o) Net assets of the Company

The net assets of the Company as at 30th June, 2005 amounted to approximately HK\$777,358,000.

(p) Distributable reserve

As at 30th June, 2005, the distributable reserve of the Company amounted to approximately HK\$772,098,000.

(q) Financial risk management objectives and policies

At the end of each of the Relevant Periods, 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 and other borrowings.

The Group does not have written risk management policies and guidelines. However, the management meets periodically to analyse and formulate measurements to manage the Group's exposure to financial risk, 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 Section 4(k) 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 reporting currency of Hong Kong dollars. 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 combined balance sheets 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 5 largest customers accounted for 86% of the Group's trade receivables as at 30th June, 2005.

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 are no significant concentrations 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 combined 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 their fair values because of the immediate or short term maturity of these financial instruments.

(b) Bank and other borrowings

The carrying amounts of bank loans approximate 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.

(r) Derivatives financial instruments

At 31st December, 2004 and 30th June, 2005, the Group entered into various forward foreign exchange contracts to reduce its exposure to fluctuating foreign currency exchange rates. The terms of these contracts are as follows:

At 31st December, 2004

	Maturity	Exchange rate
Buy RMB645,831,800 (Sell United States dollars ("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

At 30th June, 2005

	Maturity	Exchange rate
Buy RMB703,708,000 (Sell USD)	26 July 2005 to 22 May 2006	7.8935 to 8.0595
Sell RMB713,042,400 (Buy USD)	22 December 2005 to 22 May 2006	8.0068 to 8.1792

(s) Pre-IPO share options

On 17th June, 2005, the Company adopted a Pre-IPO Share Option Scheme, details of the principal terms of which are summarised in the paragraphs headed "Share option schemes" in Appendix VII to the Prospectus. 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 (after Capitalisation Issue) in the Company at an exercise price per share being 90% of the final initial public offering price of the Company's shares. The exercise period commences from and includes the date falling 12 months from the listing date of the Company and ends on and includes 16th June, 2015. Based on the fair value of the Pre-IPO share options estimated by the directors of the Company, there is no significant financial impact on the Group for the six months ended 30th June, 2005 in respect of the Pre-IPO share options granted.

(t) Share Award Plan

On 17th June 2005, the Company adopted a Share Award Plan, details of the principal terms of which are summarised in the paragraphs headed "Share Award Plan" in Appendix VII to the Prospectus. On the same day, a total of 952,881 shares (before 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 will be 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 Capitalisation Issue) to a director of the Company and certain employees of the Group under the Share Award Plan, which shall vest upon 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. Based on the fair value of the Company's shares awarded on 17th June, 2005 estimated by the directors of the Company, there is no significant financial impact on the Group for the six months ended 30th June, 2005 in respect of the Company's shares awarded under the Share Award Plan.

5. COMBINED STATEMENTS OF CHANGES IN EQUITY

The following are the combined statements of changes in equity of the Group for the Relevant Periods which have been prepared on the basis set out in Section 1 above, after making such adjustments as considered appropriate:

	Issued share capital HK\$'000 (Note (a))	Share premium account HK\$'000 (Note (c))	Contributed surplus HK\$'000 (Note (c))	Statutory reserve fund HK\$'000 (Notes (b),(c))	Exchange fluctuation reserve HK\$'000 (Note (c))	Retained profits/ (accumulated losses) HK\$'000 (Note (c))	Total HK\$'000
At 1st January, 2002	86,288	-	-	-	(3,437)	(6,935)	75,916
Exchange realignment and net loss recognised directly in equity	-	-	-	-	(377)	-	(377)
Profit for the year	-	-	-	-	-	36,935	36,935
Total recognised income and expense for the year	-	-	-	-	(377)	36,935	36,558
Capitalisation of shareholders' loan	-	8,446	-	-	-	-	8,446
Transfer from retained profits	-	-	-	853	-	(853)	-
At 31st December, 2002 and 1st January, 2003	86,288	8,446	-	853	(3,814)	29,147	120,920
Exchange realignment and net loss recognised directly in equity	-	-	-	-	(391)	-	(391)
Profit for the year	-	-	-	-	-	164,751	164,751
Total recognised income and expense for the year	-	-	-	-	(391)	164,751	164,360
Issue of share capital	4,774	18,903	-	-	-	-	23,677
Capitalisation issue	2,316	-	-	-	-	(2,316)	-
Transfer from retained profits	-	-	-	13,159	-	(13,159)	-
At 31st December, 2003 and 1st 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 recognised income and expense for the year	-	-	-	-	(3,086)	241,373	238,287
Issue of share capital	43,635	111,752	-	-	-	-	155,387
Capitalisation issue	273,267	(123,855)	-	-	(7,243)	(142,169)	-
Transfer from retained profits	-	-	-	9,782	-	(9,782)	-
At 31st December, 2004 and 1st January, 2005	410,280	15,246	-	23,794	(14,534)	267,845	702,631
Exchange realignment and net loss recognised directly in equity	-	-	-	-	223	-	223
Profit for the period	-	-	-	-	-	78,042	78,042
Total recognised income and expense for the period	-	-	-	-	223	78,042	78,265
Reorganisation adjustment	(405,020)	(15,246)	420,266	-	-	-	-
At 30th June, 2005	<u>5,260</u>	<u>-</u>	<u>420,266</u>	<u>23,794</u>	<u>(14,311)</u>	<u>345,887</u>	<u>780,896</u>

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ACCOUNTANTS' REPORT OF JU TENG INTERNATIONAL HOLDINGS LIMITED

	Issued share capital HK\$'000 (Note (a))	Share premium account HK\$'000 (Note (c))	Contributed surplus HK\$'000 (Note (c))	Statutory reserve fund HK\$'000 (Notes (b),(c))	Exchange fluctuation reserve HK\$'000 (Note (c))	Retained profits/ (accumulated losses) HK\$'000 (Note (c))	Total HK\$'000
At 1st January 2004	93,378	27,349	–	14,012	(4,205)	178,423	308,957
Exchange realignment and net loss recognised directly in equity (Unaudited)	–	–	–	–	(3,387)	–	(3,387)
Profit for the period (Unaudited)	–	–	–	–	–	95,404	95,404
Total recognised income and expense for the period (Unaudited)	–	–	–	–	(3,387)	95,404	92,017
Issue of share capital (Unaudited)	43,635	111,752	–	–	–	–	155,387
Capitalisation issue (Unaudited)	273,267	(123,855)	–	–	(7,243)	(142,169)	–
At 30th June, 2004 (Unaudited)	<u>410,280</u>	<u>15,246</u>	<u>–</u>	<u>14,012</u>	<u>(14,835)</u>	<u>131,658</u>	<u>556,361</u>

Notes:

- (a) For the purpose of presentation of the combined balance sheets, the balance of the issued share capital as at 1st January, 2002 and 31st December, 2002 and 2003 represents the issued share capital of Giant Glory, the then holding company of the companies comprising the Group. The balance of the issued share capital as at 31st December, 2004 represents the issued share capital of Best Alliance. The balance of the issued share capital as at 30th June, 2005 represents the issued share capital of the Company.

On 15th July, 2004, one share of HK\$0.1 of the Company was allotted and issued fully paid at par. On 17th June, 2005, the Company issued 52,599,999 shares of HK\$0.1 each as consideration for the acquisition of the entire issued share capital of Best Alliance, the then holding company of the companies comprising the Group.

- (b) In accordance with the relevant PRC regulations, 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 accounts comprise the combined reserves of HK\$34,632,000, HK\$215,579,000, HK\$292,351,000 and HK\$775,636,000 as at 31st December, 2002, 2003 and 2004 and 30th June, 2005, respectively, in the combined balance sheets.
- (d) The reserve movement of the Company is set out below:

	Contributed surplus HK\$'000
At 12th July, 2004 (date of incorporation)	–
Arising from group reorganisation	<u>772,098</u>
At 30th June, 2005	<u>772,098</u>

6. COMBINED CASH FLOW STATEMENTS

The following are the combined cash flow statements of the Group for the Relevant Periods which have been prepared on the basis set out in Section 1 above, after making such adjustments as considered appropriate:

	<i>Notes</i>	Year ended 31st December,			Six months ended 30th June,	
		2002	2003	2004	2004	2005
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					(Unaudited)	
CASH FLOWS FROM						
OPERATING ACTIVITIES						
Profit before tax		48,379	187,301	262,767	101,819	91,149
Adjustments for:						
Finance costs	<i>Section 3(b)</i>	1,481	4,954	12,557	4,120	22,267
Interest income	<i>Section 3(a)</i>	(76)	(135)	(977)	(282)	(592)
Excess over the cost of business combination recognised as income	<i>Section 3(a)</i>	–	(10,181)	–	–	–
Depreciation	<i>Section 3(c)</i>	7,590	16,380	48,326	17,683	42,572
Amortisation of lease premium for land	<i>Section 3(c)</i>	47	88	397	126	172
Loss on disposal of fixed assets, net	<i>Section 3(c)</i>	74	41	–	–	34
Provision for bad and doubtful debts	<i>Section 3(c)</i>	1,000	–	–	–	–
Provision for slow-moving and obsolete inventories	<i>Section 3(c)</i>	1,686	4,498	17,674	3,558	9,899
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating profit before working capital changes		60,181	202,946	340,744	127,024	165,501
Increase in inventories		(46,353)	(106,159)	(269,591)	(31,411)	(247,620)
Increase in trade receivables		(89,603)	(111,032)	(388,548)	(124,306)	(8,630)
(Increase)/decrease in prepayments, deposits and other receivables		(1,619)	27,281	(71,331)	(1,463)	(15,367)
Increase/(decrease) in trade and bills payables		43,505	95,179	126,115	(22,088)	149,766
Increase/(decrease) in other payables and accruals		22,302	100,470	(15,992)	(45,556)	66,276
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash generated from/(used in) operations		(11,587)	208,685	(278,603)	(97,800)	109,926
Mainland China income tax paid		–	–	(10,685)	(5,069)	(4,938)
Overseas income tax paid		–	–	(774)	(775)	–
Interest received		76	135	977	282	592
Interest paid		(1,481)	(4,954)	(16,073)	(4,120)	(22,267)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash inflow/(outflow) from operating activities		<u>(12,992)</u>	<u>203,866</u>	<u>(305,158)</u>	<u>(107,482)</u>	<u>83,313</u>

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Year ended 31st December,				Six months ended	
		2002	2003	2004	30th June,
	Notes	HK\$'000	HK\$'000	HK\$'000	2005
					HK\$'000
					(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of fixed assets		(64,906)	(293,983)	(410,325)	(117,193)
Proceeds from disposal of fixed assets		105	76	9	–
(Increase)/decrease in pledged bank balances and time deposits		(4,227)	(24,672)	(19,818)	825
Acquisition of subsidiaries	Section 6(a)	–	30,293	4,297	4,297
Net cash outflow from investing activities		(69,028)	(288,286)	(425,837)	(112,071)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of share capital	Section 5	–	23,677	90,120	90,120
New bank loans		175,973	593,785	1,543,609	368,437
Repayment of bank loans		(102,217)	(432,753)	(872,108)	(290,715)
Net cash inflow from financing activities		73,756	184,709	761,621	167,842
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(8,264)	100,289	30,626	(51,711)
Cash and cash equivalents at beginning of year		23,728	14,948	116,077	116,077
Effect of foreign exchange rate changes, net		(516)	840	(1,381)	(4,631)
CASH AND CASH EQUIVALENTS AT END OF YEAR		14,948	116,077	145,322	59,735
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	Section 4(h)	14,562	116,077	145,322	44,917
Non-pledged time deposits with original maturity of less than three months when acquired	Section 4(h)	386	–	–	14,818
		14,948	116,077	145,322	59,735

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(a) Acquisition of subsidiaries

	Year ended 31st December,			Six months ended	
	2002	2003	2004	30th June,	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Net assets acquired:					
Fixed assets (Section 4(a))	–	2,265	57,855	57,855	–
Lease premium for land (Section 4(b))	–	1,224	2,234	2,234	–
Inventories	–	11,001	4,192	4,192	–
Trade receivables	–	107,574	19,824	19,824	–
Prepayments, deposits and other receivables	–	57,604	3,333	3,333	–
Cash and bank balances	–	31,428	4,297	4,297	–
Trade and bills payables	–	(143,012)	(7,797)	(7,797)	–
Other payables and accruals	–	(53,576)	(39,138)	(39,138)	–
Interest-bearing bank borrowings	–	(1,419)	(7,538)	(7,538)	–
Tax payable	–	(1,773)	–	–	–
	–	11,316	37,262	37,262	–
Excess over the cost of business combination recognised as income – Section 3(a)	–	(10,181)	–	–	–
	–	1,135	37,262	37,262	–
Satisfied by:					
Cash	–	1,135	–	–	–
Issue of shares – (Section 6(b))	–	–	37,262	37,262	–
	–	1,135	37,262	37,262	–

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

	Year ended 31st December,			Six months ended	
	2002	2003	2004	30th June,	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Cash and bank balances					
acquired	-	31,428	4,297	4,297	-
Cash consideration paid	-	(1,135)	-	-	-
Net inflow of cash and cash					
equivalents in respect of					
acquisition of subsidiaries	-	30,293	4,297	4,297	-

On 26th November, 2003 and 30th June, 2004, the Group acquired 100% equity interests in Gi Li and Hempton, respectively. Further details of the transactions are included in Section 9 of this report.

From the date of acquisition, Gi Li has contributed revenue of approximately HK\$1,028,000 and net loss of approximately HK\$3,106,000 to the Group up to 31st December, 2003. If the acquisition had taken place at 1st January, 2003, the revenue and net profit of the Group for the year ended 31st December, 2003 would have been approximately HK\$894,392,000 and HK\$172,412,000, respectively.

From the date of acquisition, Hempton has contributed revenue of approximately HK\$27,738,000 and net loss of approximately HK\$13,585,000 to the Group up to 31st December, 2004. If the acquisition had taken place at 1st January, 2004, the revenue and net profit of the Group for the year ended 31st December, 2004 would have been approximately HK\$1,581,538,000 and HK\$245,892,000, respectively.

The excess over the cost of business combination in respect of the acquisition of Gi Li arose because the purchase consideration was determined by the relevant parties based on the share capital amount of Gi Li as Gi Li was set up by certain management of the Group in 2002 principally for acting as a procurement arm of the Group.

(b) Major non-cash transactions

During the year ended 31st December, 2002, loans from shareholders of HK\$8,446,000 were capitalised in the share premium account as additional capital contributed by shareholders.

During the year ended 31st December, 2004, 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.

7. 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 customers, and assets are attributed to the segments based on the location of assets.

The following tables present revenue, certain assets and capital expenditure information for the Group's geographical segments.

Segment revenue from external customers:

	Year ended 31st December,			Six months ended	
	2002	2003	2004	30th June, 2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Mainland China	151,318	609,789	1,371,569	550,392	1,004,246
The ROC	83,314	277,543	187,721	104,704	81,816
Others	—	—	1,803	1,130	10,648
	<u>234,632</u>	<u>887,332</u>	<u>1,561,093</u>	<u>656,226</u>	<u>1,096,710</u>

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	As at 31st December,			As at
	2002	2003	2004	30th June,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2005
				<i>HK\$'000</i>
Mainland China	277,203	888,574	2,012,579	2,447,251
The ROC	51,479	235,036	313,533	423,528
Others	—	—	13,177	19,889
	<u>328,682</u>	<u>1,123,610</u>	<u>2,339,289</u>	<u>2,890,668</u>

Segment capital expenditure:

	Year ended 31st December,			Six months ended	
	2002	2003	2004	30th June,	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2004	2005
				<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Mainland China	62,024	318,653	408,749	132,484	258,847
The ROC	40	—	1,829	1,344	457
Others	—	—	785	—	25
	<u>62,064</u>	<u>318,653</u>	<u>411,363</u>	<u>133,828</u>	<u>259,329</u>

8. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to any of the directors of the Company in respect of any of the Relevant Periods by the Company, or any of the companies now comprising the Group. Under the arrangements currently in force, the estimated aggregate remuneration of the directors of the Company for the year ending 31st December, 2005 will be approximately HK\$4,015,000, excluding discretionary management bonuses payable under directors' service contracts, if any.

9. OTHER MATTERS

On 13th October, 2003, Giant Glory entered into a sale and purchase agreement with four directors of the Company, Messrs. Cheng Li-Yu, Cheng Li-Yen, Huang Kuo-Kuang and Horng Tsai-Chin and Mr. Lo Tai-Sung, a director and shareholder of Extrawell, to acquire 100% equity interest in Gi Li, a company incorporated in the ROC, for a cash consideration of HK\$1,135,000. Upon completion of the acquisition on 26th November, 2003, Gi Li became a wholly-owned subsidiary of the Group and its financial statements are combined into the Group's combined financial statements thereafter using the acquisition method of accounting.

Audited financial information of Gi Li prepared in accordance with accounting principles generally accepted in Hong Kong for the period from 14th March, 2002 (date of incorporation) to 31st December, 2002, the two years ended 31st December, 2003 and 2004 and the six months ended 30th June, 2005 are set out in Appendix II to the Prospectus.

On 30th June, 2004, Best Alliance acquired 100% equity interest in Hempton, a company incorporated in Samoa, for a consideration of the issue of 2,116,936 and 705,645 ordinary shares of Best Alliance to Linwood Investments Limited, a company controlled by Mr. Cheng Li-Yu, and Elite Services Business Limited, an independent third party, respectively. Hempton is the holding company of Ju Teng Electronics, a wholly-foreign owned enterprise registered in the PRC, which is principally engaged in dust-free spray painting of notebook computer casings in the PRC. Following the completion of the acquisition, Hempton and Ju Teng Electronics became wholly-owned subsidiaries of the Group and their financial statements are combined into the Group's combined financial statements thereafter using the acquisition method of accounting.

The acquisitions of the equity interests in Gi Li and Hempton as disclosed above are related party transactions of the Group.

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Audited consolidated financial information of Hempton and Ju Teng Electronics prepared in accordance with accounting principles generally accepted in Hong Kong for the period from 8th May, 2002 (date of incorporation) to 31st December, 2002, the two years ended 31st December, 2003 and 2004 and the six months ended 30th June, 2005 are set out below:

CONSOLIDATED BALANCE SHEETS

	2002	As at 31st December,		As at
	2003	2004	30th June,	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS				
Fixed assets	20,747	23,491	97,920	112,328
Lease premium for land	–	–	2,211	2,203
Prepayments for acquisition of fixed assets	–	–	–	448
Deferred tax assets	–	–	–	1,051
	<u>20,747</u>	<u>23,491</u>	<u>100,131</u>	<u>116,030</u>
CURRENT ASSETS				
Inventories	1,722	1,753	12,380	39,038
Trade receivables	3,506	20,054	24,851	46,585
Prepayments, deposits and other receivables	54	523	5,484	27,108
Cash and cash equivalents	5,394	575	8,805	3,958
	<u>10,676</u>	<u>22,905</u>	<u>51,520</u>	<u>116,689</u>
CURRENT LIABILITIES				
Trade payables	3,804	4,729	19,309	50,230
Other payables and accruals	3,792	9,556	66,792	5,994
Tax payable	–	–	201	161
Interest-bearing bank borrowings	–	–	7,917	7,538
	<u>7,596</u>	<u>14,285</u>	<u>94,219</u>	<u>63,923</u>
NET CURRENT ASSETS/ (LIABILITIES)	<u>3,080</u>	<u>8,620</u>	<u>(42,699)</u>	<u>52,766</u>

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	As at 31st December,			As at
	2002	2003	2004	30th June,
	HK\$'000	HK\$'000	HK\$'000	2005
				HK\$'000
TOTAL ASSETS LESS				
CURRENT LIABILITIES	23,827	32,111	57,432	168,796
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	—	—	32,214	157,712
	<u>23,827</u>	<u>32,111</u>	<u>25,218</u>	<u>11,084</u>
CAPITAL AND RESERVES				
Issued capital	27,300	27,300	27,300	27,300
Reserves	<u>(3,473)</u>	<u>4,811</u>	<u>(2,082)</u>	<u>(16,216)</u>
	<u>23,827</u>	<u>32,111</u>	<u>25,218</u>	<u>11,084</u>

CONSOLIDATED RESULTS

	8th May, 2002 (date of incorporation) to 31st December, 2002	Year ended 31st December,		Six months ended 30th June,	
	2002	2003	2004	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
TURNOVER	<u>3,508</u>	<u>41,901</u>	<u>50,336</u>	<u>22,598</u>	<u>53,134</u>
NET PROFIT/(LOSS)	<u>(3,473)</u>	<u>8,284</u>	<u>(9,066)</u>	<u>4,519</u>	<u>(14,134)</u>

10. SUBSEQUENT EVENTS

No material event took place subsequent to 30th June, 2005.

11. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, or any of the companies now comprising the Group, in respect of any period subsequent to 30th June, 2005.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a report prepared for the purpose of inclusion in this prospectus, received from the reporting accountants of Gi Li Co., Ltd., Ernst & Young, Certified Public Accountants, Hong Kong:



18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

25th October, 2005

The Directors
Ju Teng International Holdings Limited
SinoPac Securities (Asia) Limited
Access Capital Limited

Dear Sirs,

We set out below our report on the financial information regarding Gi Li Co., Ltd. ("Gi Li") for the period from 14th March, 2002 (the date of incorporation) to 31st December, 2002, the two years ended 31st December, 2003 and 2004 and the six months ended 30th June, 2005 (the "Relevant Periods"), for inclusion in the prospectus of Ju Teng International Holdings Limited ("Ju Teng") dated 25th October, 2005 (the "Prospectus").

Gi Li was incorporated in the Republic of China (the "ROC") with limited liability on 14th March, 2002 and is principally engaged in the sale of notebook computer casings and related materials.

Gi Li has its financial year ending on 31st December each year. The statutory financial statements of Gi Li for the period from 14th March, 2002 to 31st December, 2002 and the two years ended 31st December, 2003 and 2004 were prepared in accordance with the applicable accounting principles and regulations in the ROC, and were audited by 漢邦會計師事務所, Certified Public Accountants registered in the ROC. For the purpose of this report, we have carried out independent audit procedures on the financial statements of Gi Li for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and carried out such additional procedures as are necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The summaries of the results, statements of changes in equity and cash flow statements of Gi Li for each of the Relevant Periods and of the balance sheets of Gi Li as at 31st December, 2002, 2003 and 2004 and 30th June, 2005 (the "Summaries"), together with the notes thereto, set out in this report have been prepared from the audited financial statements or, where appropriate, the management accounts of Gi Li, after making such adjustments as considered appropriate.

The directors of Gi Li are responsible for the preparation of the Summaries which give a true and fair view. It is our responsibility to form an independent opinion on the Summaries and to report our opinion to you.

For the purpose of this report, we have performed a review of the comparative financial information which includes the results, statement of changes in equity and cash flows of Gi Li for the six months ended 30th June, 2004, together with the notes thereon (the "30th June, 2004 financial information"), for which the directors are responsible, in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope and provides a lower level of assurance than an audit, and accordingly we do not express an audit opinion on the 30th June, 2004 financial information.

In our opinion, the Summaries together with the notes thereto give, for the purpose of this report, a true and fair view of the results and cash flows of Gi Li for each of the Relevant Periods and of the balance sheets of Gi Li as at 31st December, 2002, 2003 and 2004 and 30th June, 2005.

Based on our review, for the purpose of this report, we are not aware of any material modification that should be made to the 30th June, 2004 financial information.

1. PRINCIPAL ACCOUNTING POLICIES

The Summaries have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong throughout the Relevant Periods. The Summaries have been prepared under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1st January, 2005. For the purposes of preparing and presenting financial information of the Relevant Periods, Gi Li has early adopted the new HKFRSs throughout the Relevant Periods and the following standards have had significant impact on the financial information of the Relevant Periods:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement

The principal accounting policies adopted by Gi Li in arriving at the financial information set out in this report, which conform with accounting principles generally accepted in Hong Kong, are set out below:

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated. 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, 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 profit and loss account in the period in which it arises.

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 an 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 profit and loss account in the period in which it arises.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset 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 fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life after taking into account its estimated residual value. The estimated useful lives of fixed assets are as follows:

Buildings	20 years
Leasehold improvements	5 to 10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of fixed asset 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 profit and loss account in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less allowance for any uncollectible amounts.

An estimate for doubtful debts for trade and other receivables is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Interest-bearing loans and borrowings

Interest-bearing 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. This cost is computed as the amount initially recognised minus principal

repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. Amortised cost is calculated by taking into account any transaction costs, and any discount or premium on settlement.

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

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 profit and loss account.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

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. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

A deferred tax asset is also recognised for the carryforward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the carryforward of the unused tax losses can be utilised.

Foreign currency translation

The presentation currency of Gi Li is Hong Kong dollars (HK\$). The functional currency of Gi Li in Taiwan is measured using New Taiwan dollars (NT\$).

Foreign currency transactions are initially recorded using the functional currency rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate 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.

As at the balance sheet date, the assets and liabilities of Gi Li have been translated into its presentation currency (i.e., Hong Kong dollars) at exchange rates ruling at the balance sheet date and its profit and loss accounts have been 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.

For the purpose of the cash flow statement, the cash flows of Gi Li are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of Gi Li which arise throughout the year/period are translated into Hong Kong dollars at the weighted average exchange rates for the year/period.

Related parties

A party is related to Gi Li if:

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, Gi Li;
 - (ii) has an interest in Gi Li that gives it significant influence over Gi Li; or
 - (iii) has joint control over Gi Li;
- (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 Gi Li 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 Gi Li, or of any entity that is a related party of Gi Li.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where Gi Li is the lessee, rentals payable under the operating leases are charged to the profit and loss account 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 amortised on the straight-line basis over the lease terms.

Cash and cash equivalents

For the purpose of the 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 Gi Li'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 Gi Li 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 Gi Li 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 a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

2. RESULTS OF GI LI

The following is a summary of the results of Gi Li for each of the Relevant Periods, after making such adjustments as considered appropriate:

		Period from 14th March, 2002 (date of incorporation) to 31st December, 2002	Year ended 31st December,		Six months ended 30th June,	
	Notes	HK\$'000	2003 HK\$'000	2004 HK\$'000	2004 HK\$'000	2005 HK\$'000
					(Unaudited)	
REVENUE						
Sale of goods	(a)	58,387	222,354	148,425	70,315	76,094
Cost of sales		(49,773)	(199,237)	(141,862)	(72,872)	(70,858)
Gross profit/(loss)		8,614	23,117	6,563	(2,557)	5,236
Other income and gains, net	(a)	799	3,127	18,665	9,445	12,280
Selling and distribution costs		(1,835)	(5,747)	(7,901)	(3,584)	(4,114)
Administrative expenses		(4,367)	(12,081)	(24,210)	(8,288)	(13,556)
Other operating expenses, net		–	(1,786)	(771)	(61)	–
Finance costs	(b)	(99)	(851)	(406)	(141)	(79)
PROFIT/(LOSS) BEFORE TAX	(c)	3,112	5,779	(8,060)	(5,186)	(233)
Tax	(f)	(778)	(1,224)	2,375	1,297	58
PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		2,334	4,555	(5,685)	(3,889)	(175)

(a) Turnover, other income and gains, net

Turnover represents the invoiced value of goods sold, net of value-added tax and after allowances for returns and trade discounts.

An analysis of Gi Li's turnover and other income and gains, net, is as follows:

	Period from 14th March, 2002 (date of incorporation) to 31st December, 2002 <i>HK\$'000</i>	Year ended 31st December, 2003 2004 <i>HK\$'000 HK\$'000</i>		Six months ended 30th June, 2004 2005 <i>HK\$'000 HK\$'000</i>	
				(Unaudited)	
Turnover					
Sale of goods	58,387	222,354	148,425	70,315	76,094
Other income and gains, net					
Interest income	5	12	26	13	23
Commission income	364	403	694	694	–
Sale of used moulds	–	2,712	–	–	–
Exchange gains, net	430	–	–	–	2,503
Technical assistance fee income	–	–	17,461	8,738	9,591
Others	–	–	484	–	163
	799	3,127	18,665	9,445	12,280

(b) Finance costs

	Period from 14th March, 2002 (date of incorporation) to 31st December, 2002 <i>HK\$'000</i>	Year ended 31st December, 2003 2004 <i>HK\$'000 HK\$'000</i>		Six months ended 30th June, 2004 2005 <i>HK\$'000 HK\$'000</i>	
				(Unaudited)	
Interest on bank loans and other loans wholly repayable:					
Within five years	99	851	334	110	57
Over five years	—	—	72	31	22
	<u>99</u>	<u>851</u>	<u>406</u>	<u>141</u>	<u>79</u>

(c) Profit/(loss) before tax

Gi Li's profit/(loss) before tax is arrived at after charging:

	Period from 14th March, 2002 (date of incorporation) to 31st December, 2002 <i>HK\$'000</i>	Year ended 31st December, 20032004 <i>HK\$'000HK\$'000</i>		Six months ended 30th June, 20042005 <i>HK\$'000HK\$'000</i>	
				(Unaudited)	
Auditors' remuneration	45	50	50	–	–
Depreciation	30	190	314	216	297
Minimum lease payments under operating leases:					
Land and buildings	112	215	595	326	346
Staff costs (excluding directors' remuneration – note 2(d)):					
Wages and salaries, bonuses, allowances and welfare	3,098	8,441	18,261	5,972	13,768
Exchange losses, net	<u>–</u>	<u>1,786</u>	<u>762</u>	<u>59</u>	<u>–</u>

(d) Directors' remuneration

No remuneration was paid to the directors of Gi Li during the Relevant Periods.

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

(e) Five highest paid employees

Details of remuneration of the five highest paid employees in Gi Li during the Relevant Periods are as follows:

	Period from 14th March, 2002 (date of incorporation) to 31st December, 2002 <i>HK\$'000</i>	Year ended 31st December, 2003 2004 <i>HK\$'000 HK\$'000</i>		Six months ended 30th June, 2004 2005 <i>HK\$'000 HK\$'000</i>	
					(Unaudited)
Salaries, allowances and benefits in kind	795	1,263	1,292	660	488
Bonuses	196	217	-	-	-
	<u>991</u>	<u>1,480</u>	<u>1,292</u>	<u>660</u>	<u>488</u>

The remuneration of each of the highest paid employees for each of the Relevant Periods fell within the Nil to HK\$1,000,000 band.

During the Relevant Periods, no remuneration was paid by Gi Li to the directors or any of the five highest paid employees as an inducement to join or upon joining Gi Li or as compensation for loss of office.

(f) Tax

The ROC profits tax has been provided at the rate of 25% on the estimated assessable profits arising in the ROC during the Relevant Periods.

	Period from 14th March, 2002 (date of incorporation) to 31st December, 2002 <i>HK\$'000</i>	Year ended 31st December, 2003 <i>HK\$'000</i>		Six months ended 30th June, 2004 <i>HK\$'000</i> (Unaudited)	
		2003	2004	2004	2005
			<i>HK\$'000</i>		<i>HK\$'000</i>
Provision for the year/period	778	1,224	–	–	–
Overprovision in prior years	–	–	(360)	(360)	–
Deferred tax – Section 3(c)	–	–	(2,015)	(937)	(58)
	<u>778</u>	<u>1,224</u>	<u>(2,375)</u>	<u>(1,297)</u>	<u>(58)</u>
Total tax charge/(credit) for the year/period	<u>778</u>	<u>1,224</u>	<u>(2,375)</u>	<u>(1,297)</u>	<u>(58)</u>

A reconciliation of the tax expense/(income) applicable to profit/(loss) before tax using the statutory rate to the tax expense/(income) at the effective tax rates is as follows:

Period from 14th March, 2002 (date of incorporation) to 31st December, 2002

	HK\$'000	%
Profit before tax	<u>3,112</u>	
Tax charge at the statutory tax rate and at effective rate	<u>778</u>	<u>25.0</u>

For the year ended 31st December, 2003

	<i>HK\$'000</i>	<i>%</i>
Profit before tax	<u>5,779</u>	
Tax at the statutory tax rate	1,445	25.0
Income not subject to tax	<u>(221)</u>	<u>(3.8)</u>
Tax charge at effective rate	<u>1,224</u>	<u>21.2</u>

For the year ended 31st December, 2004

	<i>HK\$'000</i>	<i>%</i>
Loss before tax	<u>(8,060)</u>	
Tax credit at the statutory tax rate	(2,015)	25.0
Adjustment in respect of current tax of previous year	<u>(360)</u>	<u>4.5</u>
Tax credit at effective rate	<u>(2,375)</u>	<u>29.5</u>

For the six months ended 30th June, 2004 (Unaudited)

Loss before tax	<u>(5,186)</u>	
Tax credit at the statutory tax rate and at effective rate	<u>(1,297)</u>	<u>25.0</u>

For the six months ended 30th June, 2005

	<i>HK\$'000</i>	<i>%</i>
Loss before tax	<u>(233)</u>	
Tax credit at the statutory tax rate and at effective rate	<u>(58)</u>	<u>25.0</u>

(g) Related party transactions

In addition to the transactions disclosed in Section 3(e), (f), (h), (i) and (j) of this report, Gi Li had the following material related party transactions during the Relevant Periods:

		Period from 14th March, 2002 (date of incorporation) to 31st December, 2002	Year ended 31st December,		Six months ended 30th June,	
	Notes	HK\$'000	2003 HK\$'000	2004 HK\$'000	2004 HK\$'000	2005 HK\$'000
					(Unaudited)	
Purchase of finished goods from:						
Giant Glory International Limited ("Giant Glory") (a)	(i)	—	12,180	440	440	—
Purchase of production materials from:						
Applied Business Company Limited ("Applied") (b)	(i)	—	—	143	51	6
ICAN Business Limited ("ICAN") (b)	(i)	—	—	4,233	2,163	1,957
Tri-Great International Limited ("Tri-Great") (b)	(i)	—	—	3,140	2,542	6,632
San Li Company Limited ("San Li") (c)	(i)	17,844	23,196	15,835	2,546	7,651
Ta Yu Metallic Hardware Company Limited ("Ta Yu Metallic") (d)	(i)	835	10,018	7,388	5,265	433
Sunrise Plastic Injection Company Limited ("Sunrise") (e)	(i)	48	7,524	6,865	5,295	1,069
San Changs Co., Ltd. ("San Changs") (f)	(i)	—	116	140	38	109

APPENDIX II

ACCOUNTANTS' REPORT OF
GI LI CO., LTD.

		Period from 14th March, 2002 (date of incorporation) to 31st December, 2002	Year ended 31st December, 2003 2004		Six months ended 30th June, 2004 2005	
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)	
Purchase of moulds from:						
Ta Yu Metallic	(i)	–	1,472	429	429	–
San Changs	(i)	–	102	–	–	–
San Li	(i)	–	3,035	–	–	–
Sale of production materials to:						
Giant Glory	(ii)	49,382	151,955	657	–	1,477
Applied	(ii)	5,889	63,226	72,380	37,595	31,821
Sincere Joy Corporation Inc. ("Sincere Joy") (b)	(ii)	–	–	58,853	26,084	29,907
Jiu Ding International Limited ("Jiu Ding") (b)	(ii)	–	113	–	–	–
Hempton International Limited ("Hempton") (g)	(ii)	–	–	6,099	2,153	950
Tri-Great	(ii)	–	–	–	–	97
ICAN	(ii)	–	–	–	–	50
Sale of finished goods to:						
San Li	(ii)	–	3,817	1,029	630	387
Ta Yu Metallic	(ii)	–	54	13	–	–
Sunrise	(ii)	–	–	1,842	24	2,296
San Changs	(ii)	159	36	166	–	432

APPENDIX II

ACCOUNTANTS' REPORT OF
GI LI CO., LTD.

		Period from 14th March, 2002 (date of incorporation) to 31st December, 2002	Year ended 31st December,		Six months ended 30th June,	
		2002	2003	2004	2004	2005
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)	
Interests paid to:						
Southern Asia Management Limited ("Southern Asia") (c)	(iii)	99	815	–	–	–
San Li	(iii)	–	–	236	110	–
Rental expenses paid to:						
San Li Enterprises Company Limited (c)	(iv)	–	–	54	27	30
Ms. Lin Mei-Li (h)	(iv)	–	–	81	35	30
Commission income from:						
Giant Glory	(v)	364	403	421	421	–
Applied	(v)	–	–	272	272	–
Technical assistance fee income from:						
Sincere Joy	(vi)	–	–	7,703	3,855	4,231
Applied	(vi)	–	–	7,703	3,855	4,231
Hempton	(vi)	–	–	2,055	1,028	1,129

- (a) Giant Glory is controlled by Messrs. Cheng Li-Yu, Cheng Li-Yen and Horng Tsai-Chin, directors of Gi Li. On 13th October, 2003, Giant Glory entered into a sale and purchase agreement with Messrs Cheng Li-Yu, Cheng Li-Yen, Huang Kuo-Kuang, Horng Tsai-Chin, directors of Gi Li, and Mr. Lo Tai-Sung to acquire 100% equity interest in Gi Li for a cash consideration of HK\$1,135,000. Upon completion of the acquisition on 26th November, 2003, Gi Li became a wholly-owned subsidiary of Giant Glory.
- (b) Applied, ICAN, Tri-Great, Jiu Ding and Sincere Joy are wholly-owned subsidiaries of Giant Glory since their respective dates of incorporation.
- (c) San Li, San Li Enterprises Company Limited and Southern Asia are controlled by Mr. Cheng Li-Yu, a director of Gi Li.
- (d) Ta Yu Metallic is controlled by Mr. Horng Tsai-Chin, a director of Gi Li.
- (e) Sunrise is controlled by Mr. Cheng Li-Yen, a director of Gi Li.
- (f) San Changs is controlled by Ms. Lin Mei-Li, the spouse of Mr. Cheng Li-Yu, a director of Gi Li.
- (g) Hempton is controlled by Mr. Cheng Li-Yu, a director of Gi Li. On 30th June, 2004, Best Alliance Holding Inc., the intermediate holding company of Gi Li, acquired 100% equity interest in Hempton, after which Hempton became a fellow subsidiary of Gi Li.
- (h) Ms. Lin Mei-Li is the spouse of Mr. Cheng Li-Yu, a director of Gi Li.

Notes:

- (i) The purchase prices for finished goods, production materials and moulds were determined at prices mutually agreed between the relevant parties.
- (ii) The selling prices of production materials and finished goods were determined at prices mutually agreed between the relevant parties.
- (iii) The loans or advances from Southern Asia and San Li bore interest at the rate of 7% per annum.
- (iv) The rentals were determined at rates mutually agreed between the relevant parties.
- (v) Commission income was earned for the arrangements of shipments and coordinating with suppliers and determined at rates mutually agreed between the relevant parties.

- (vi) The technical assistance fee income was determined at rates mutually agreed between the relevant parties.
- (vii) During the Relevant Periods, Gi Li supplied moulds to Everyday Computer Components (Suzhou) Co., Ltd. ("Everyday Computer") and Suzhou Dazhi Communication Accessory Co., Ltd. ("Suzhou Dazhi") at nil consideration. The mould expenses incurred by Gi Li amounted to approximately HK\$15,448,000, HK\$12,947,000 and HK\$2,509,000 for the two years ended 31st December, 2003 and 2004 and the six months ended 30th June, 2005, respectively. Everyday Computer and Suzhou Dazhi are wholly-owned subsidiaries of Giant Glory.

The directors are of the opinion that the above transactions were carried out in the ordinary course of business of Gi Li.

The remuneration of the key management personnel of Gi Li has been disclosed in Section 2(d) and 2(e) above.

On 17th June, 2005, Ju Teng adopted a Share Award Plan, details of the principal terms of which are summarised in the paragraphs headed "Share Award Plan" in Appendix VII to the Prospectus. On the same day, Ju Teng awarded a total of 4,289,776 shares (after Capitalisation Issue, as described more fully in the paragraph headed "Resolutions in writing of all Shareholders passed on 17th June, 2005 and 6th October, 2005" in Appendix VII to the Prospectus) to certain employees of Gi Li under the Share Award Plan, which shall vest upon the expiry of the six-month period after the listing date of Ju Teng and pursuant to the rules of the Share Award Plan and the relevant conditions of the awards.

(h) Segment reporting

No analysis of segment information by business or geographical segments is presented as Gi Li is principally engaged in the sale of notebook computer casings and related materials, and over 90% of the sales were made to customers located in the ROC.

3. BALANCE SHEETS

The following is a summary of the balance sheets of Gi Li as at the end of each of the Relevant Periods, after making such adjustments as considered appropriate:

		As at 31st December,			As at
		2002	2003	2004	30th June,
	Notes	HK\$'000	HK\$'000	HK\$'000	2005
					HK\$'000
NON-CURRENT ASSETS					
Fixed assets	(a)	224	2,242	3,863	4,188
Lease premium for land	(b)	–	1,230	2,618	2,767
Deferred tax assets	(c)	–	–	2,092	2,265
		<u>224</u>	<u>3,472</u>	<u>8,573</u>	<u>9,220</u>
CURRENT ASSETS					
Inventories	(d)	2,036	11,304	5,382	6,054
Trade receivables	(e)	25,093	87,691	17,896	40,796
Prepayments, deposits and other receivables	(f)	10,980	67,616	27,454	14,317
Pledged time deposits	(g)	–	–	114	–
Cash and cash equivalents	(g)	8,498	29,039	16,035	16,646
		<u>46,607</u>	<u>195,650</u>	<u>66,881</u>	<u>77,813</u>
CURRENT LIABILITIES					
Trade and bills payables	(h)	31,066	122,295	63,840	66,790
Other payables and accruals	(i)	11,555	65,540	5,289	4,594
Tax payable		772	1,783	642	677
Interest-bearing bank borrowings	(j)	–	120	848	301
		<u>43,393</u>	<u>189,738</u>	<u>70,619</u>	<u>72,362</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>3,214</u>	<u>5,912</u>	<u>(3,738)</u>	<u>5,451</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,438	9,384	4,835	14,671
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	(j)	–	1,298	2,544	12,366
		<u>3,438</u>	<u>8,086</u>	<u>2,291</u>	<u>2,305</u>
CAPITAL AND RESERVES					
Issued capital	Section 4	1,135	1,135	1,135	1,135
Reserves	Section 4	2,303	6,951	1,156	1,170
		<u>3,438</u>	<u>8,086</u>	<u>2,291</u>	<u>2,305</u>

(a) Fixed assets

	Buildings	Leasehold improve- ments	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:					
As at 14th March, 2002					
(date of incorporation)	-	-	-	-	-
Additions	-	-	111	144	255
Exchange realignment	-	-	-	(1)	(1)
As at 31st December, 2002					
and 1st January, 2003	-	-	111	143	254
Additions	866	317	1,008	-	2,191
Exchange realignment	5	3	9	2	19
As at 31st December, 2003					
and 1st January, 2004	871	320	1,128	145	2,464
Additions	553	258	1,019	-	1,830
Exchange realignment	39	16	63	3	121
As at 31st December, 2004					
and 1st January, 2005	1,463	594	2,210	148	4,415
Additions	-	-	416	-	416
Reclassification	(165)	84	81	-	-
Disposal	-	-	(9)	-	(9)
Exchange realignment	79	33	121	8	241
As at 30th June, 2005	1,377	711	2,819	156	5,063

	Buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Accumulated depreciation:					
As at 14th March, 2002 (date of incorporation)	-	-	-	-	-
Provided during the period	-	-	12	18	30
As at 31st December, 2002 and 1st January, 2003	-	-	12	18	30
Provided during the year	78	10	78	24	190
Exchange realignment	-	-	2	-	2
As at 31st December, 2003 and 1st January, 2004	78	10	92	42	222
Provided during the year	6	17	267	24	314
Exchange realignment	1	1	12	2	16
As at 31st December, 2004 and 1st January, 2005	85	28	371	68	552
Provided during the period	30	11	243	13	297
Reclassification	(40)	(5)	45	-	-
Disposal	-	-	(5)	-	(5)
Exchange realignment	4	1	22	4	31
As at 30th June, 2005	<u>79</u>	<u>35</u>	<u>676</u>	<u>85</u>	<u>875</u>
Net book value:					
As at 30th June, 2005	<u>1,298</u>	<u>676</u>	<u>2,143</u>	<u>71</u>	<u>4,188</u>
As at 31st December, 2004	<u>1,378</u>	<u>566</u>	<u>1,839</u>	<u>80</u>	<u>3,863</u>
As at 31st December, 2003	<u>793</u>	<u>310</u>	<u>1,036</u>	<u>103</u>	<u>2,242</u>
As at 31st December, 2002	<u>-</u>	<u>-</u>	<u>99</u>	<u>125</u>	<u>224</u>

Gi Li's buildings as at 30th June, 2005 were freehold and were situated outside Hong Kong.

At 30th June, 2005, Gi Li's buildings were pledged to secure certain banking facilities granted to Gi Li.

(b) Lease premium for land

	<i>HK\$'000</i>
Cost:	
As at 1st January, 2003	–
Additions	1,223
Exchange realignment	7
	<hr/>
As at 31st December, 2003 and 1st January, 2004	1,230
Additions	1,312
Exchange realignment	76
	<hr/>
As at 31st December, 2004 and 1st January, 2005	2,618
Exchange realignment	149
	<hr/>
As at 30th June, 2005	<u>2,767</u>

Gi Li's land as at 30th June, 2005 was freehold and was situated outside Hong Kong.

At 30th June 2005, Gi Li's land was pledged to secure certain banking facilities granted to Gi Li.

(c) Deferred tax assets

Losses available for offset against future taxable profit:

	As at 31st December,			As at
	2002	2003	2004	30th June,
	HK\$'000	HK\$'000	HK\$'000	2005
				HK\$'000
At beginning of year/period	–	–	–	2,092
Deferred tax credited to the profit and loss account during the year/period				
- Section 2(f)	–	–	2,015	58
Exchange realignment	–	–	77	115
	<u>–</u>	<u>–</u>	<u>77</u>	<u>115</u>
At end of year/period	<u>–</u>	<u>–</u>	<u>2,092</u>	<u>2,265</u>

At 30th June, 2005, Gi Li had tax losses arising in the ROC of HK\$9,060,000 that are available for offset against future taxable profits of Gi Li. Based on the financial projections of Gi Li prepared by the directors of Gi Li, the directors expected that Gi Li will have sufficient taxable profits generated in the future to utilise these tax losses and accordingly, deferred tax assets have been recognised.

(d) Inventories

	As at 31st December,			As at
	2002	2003	2004	30th June,
	HK\$'000	HK\$'000	HK\$'000	2005
				HK\$'000
Production materials	2,036	–	1,623	4,604
Moulds and consumable tools	–	11,304	3,759	1,450
	<u>–</u>	<u>11,304</u>	<u>3,759</u>	<u>1,450</u>
	<u>2,036</u>	<u>11,304</u>	<u>5,382</u>	<u>6,054</u>

None of the inventories were carried at net realisable value at the balance sheet date of each of the Relevant Periods.

(e) Trade receivables

The general credit terms of Gi Li range from 90 days to 120 days. An aged analysis of Gi Li's trade receivables as at the balance sheet date of each of the Relevant Periods, based on invoice date, is as follows:

	As at 31st December,		As at 30th June,	
	2002	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 3 months	11,375	65,470	14,619	37,283
4-6 months	13,631	17,999	2,862	2,306
7-12 months	87	4,222	90	973
Over 1 year	—	—	325	234
	<u>25,093</u>	<u>87,691</u>	<u>17,896</u>	<u>40,796</u>

Included in Gi Li's trade receivables at the balance sheet date of each of the Relevant Periods were amounts due from the following related companies, which are repayable on credit terms similar to those offered to the major customers of Gi Li.

		As at 31st December,		As at 30th June,	
		2002	2003	2004	2005
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Giant Glory	Section 2(g)	16,140	37,480	—	1,473
Applied	Section 2(g)	5,842	45,305	6,126	11,609
Sincere Joy	Section 2(g)	—	—	3,008	17,419
Hempton	Section 2(g)	—	—	3,541	1,897
Tri-Great	Section 2(g)	—	—	—	97
ICAN	Section 2(g)	—	—	—	50
Jiu Ding	Section 2(g)	—	—	116	122
San Li	Section 2(g)	—	1,296	497	373
Ta Yu Metallic	Section 2(g)	—	57	15	3
San Changs	Section 2(g)	166	—	—	452
Sunrise	Section 2(g)	—	—	1,540	907
		<u>22,148</u>	<u>84,138</u>	<u>14,843</u>	<u>34,402</u>

(f) Prepayments, deposits and other receivables

	As at 31st December,			As at
	2002	2003	2004	30th June,
	HK\$'000	HK\$'000	HK\$'000	2005
				HK\$'000
Prepayments	727	78	2,379	1,300
Deposits and other receivables	1,126	5,052	1,682	1,271
Due from related companies	9,127	62,486	23,393	11,746
	<u>10,980</u>	<u>67,616</u>	<u>27,454</u>	<u>14,317</u>

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

		As at 31st December,			As at
		2002	2003	2004	30th June,
	Notes	HK\$'000	HK\$'000	HK\$'000	2005
					HK\$'000
Giant Glory	Section 2(g)	9,127	52,116	1,672	2,023
Applied	Section 2(g)	–	10,228	8,001	2,814
Sincere Joy	Section 2(g)	–	–	7,997	3,285
Jiu Ding	Section 2(g)	–	–	3,051	3,219
Hempton	Section 2(g)	–	–	2,335	405
Everyday					
Computer	Section 2(g)	–	–	18	–
San Li	Section 2(g)	–	142	156	–
Sunrise	Section 2(g)	–	–	163	–
		<u>9,127</u>	<u>62,486</u>	<u>23,393</u>	<u>11,746</u>

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

The maximum amounts outstanding during each of the Relevant Periods are as follows:

	Period from 14th March, 2002 (date of incorporation) to 31st December, 2002	Year ended 31st December, 2003	Year ended 31st December, 2004	Six months ended 30th June, 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Giant Glory	15,274	52,116	52,116	2,023
Applied	–	10,228	10,228	8,001
Sincere Joy	–	–	7,997	7,997
Jiu Ding	–	–	3,051	3,219
Hempton	–	–	2,335	2,335
Everyday Computer	–	–	18	18
San Li	–	142	156	156
Sunrise	–	–	163	163
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(g) Cash and cash equivalents

	As at 31st December, 2002	As at 31st December, 2003	As at 31st December, 2004	As at 30th June, 2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank balances	8,498	29,039	16,035	16,646
Time deposits	–	–	114	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total cash and bank balances and time deposits	8,498	29,039	16,149	16,646
Less: Pledged time deposits	–	–	(114)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	<u>8,498</u>	<u>29,039</u>	<u>16,035</u>	<u>16,646</u>

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.

The cash and cash equivalents which were subject to remittance restrictions in the ROC amounted to approximately HK\$8,498,000, HK\$29,039,000, HK\$16,149,000 and HK\$16,646,000 as at 31st December, 2002, 2003 and 2004 and 30th June, 2005, respectively.

(h) Trade and bills payables

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

	As at 31st December,			As at
	2002	2003	2004	30th June,
	HK\$'000	HK\$'000	HK\$'000	2005
				HK\$'000
Within 3 months	26,249	79,834	51,144	48,812
4-6 months	4,590	37,078	7,514	12,901
7-12 months	227	5,320	1,600	1,460
Over 1 year	—	63	3,582	3,617
	<u>31,066</u>	<u>122,295</u>	<u>63,840</u>	<u>66,790</u>

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

		As at 31st December,			As at
		2002	2003	2004	30th June,
		HK\$'000	HK\$'000	HK\$'000	2005
	Notes				HK\$'000
Giant Glory	Section 2(g)	—	11,576	—	—
Applied	Section 2(g)	—	—	96	6
ICAN	Section 2(g)	—	—	501	2,480
Tri-Great	Section 2(g)	—	—	3,262	10,057
San Li	Section 2(g)	10,845	6,762	10,241	6,706
Ta Yu Metallic	Section 2(g)	915	12,101	2,567	536
Sunrise	Section 2(g)	38	3,727	2,445	1,278
San Changs	Section 2(g)	45	69	148	21
		<u>11,843</u>	<u>34,235</u>	<u>19,260</u>	<u>21,084</u>

(i) Other payables and accruals

		As at 31st December,			As at
		2002	2003	2004	30th June,
		2002	2003	2004	2005
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Note					
Other payables		7,703	27,677	155	4,265
Accruals		1,060	2,652	5,000	329
Due to related companies	(a)	2,792	35,211	134	-
		<u>11,555</u>	<u>65,540</u>	<u>5,289</u>	<u>4,594</u>

(a) The amounts due to related parties are as follows:

		As at 31st December,			As at
		2002	2003	2004	30th June,
		2002	2003	2004	2005
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Notes					
San Li	Section 2(g)	98	-	134	-
Ta Yu					
Metallic	Section 2(g)	-	53	-	-
Southern					
Asia	Section 2(g)	2,694	35,158	-	-
		<u>2,792</u>	<u>35,211</u>	<u>134</u>	<u>-</u>

The amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment, except the amounts due to Southern Asia, a company controlled by Mr. Cheng Li-Yu, a director of Gi Li, which bore interest at the rate of 7% per annum.

(j) Interest-bearing bank borrowings

	As at 31st December,			As at
	2002	2003	2004	30th June,
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2005</i>
				<i>HK\$'000</i>
Bank loans:				
Secured	<u>–</u>	<u>1,418</u>	<u>3,392</u>	<u>12,667</u>
Bank loans repayable:				
Within one year	–	120	848	301
In the second year	–	128	290	10,143
In the third to fifth years, inclusive	–	420	912	987
Beyond five years	<u>–</u>	<u>750</u>	<u>1,342</u>	<u>1,236</u>
	–	1,418	3,392	12,667
Less: Portion classified as current liabilities	<u>–</u>	<u>(120)</u>	<u>(848)</u>	<u>(301)</u>
Non-current portion	<u>–</u>	<u>1,298</u>	<u>2,544</u>	<u>12,366</u>

As at 30th June, 2005, Gi Li's bank loans were secured by:

- (i) mortgages over Gi Li's land and buildings; and
- (ii) joint and several personal guarantees executed by Messrs. Cheng Li-Yu and Cheng Li-Yen, both directors of Gi Li, and a personal guarantee executed by Mr. Cheng Li-Yu. Gi Li has obtained written consent, in principle, from its banks to the effect that the personal guarantees will be released and replaced by a corporate guarantee to be provided by Ju Teng upon the listing of Ju Teng's shares on The Stock Exchange of Hong Kong Limited.

Gi Li's bank borrowings bear interest at rates as set out below:

	As at 31st December,			As at
	2002	2003	2004	30th June,
				2005
Bank loans	<u>N/A</u>	<u>3.4%</u>	<u>3.4%</u>	<u>3.4%</u>

(k) **Contingent liabilities**

Gi Li did not have any material contingent liabilities at the end of each of the Relevant Periods.

(l) **Operating lease arrangements**

Gi Li leases certain properties under operating lease arrangements, with leases negotiated for terms within one year.

At the end of each of the Relevant Periods, Gi Li had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at			As at
	As at 31st December,	2003	2004	30th June,
	2002	2003	2004	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<u>37</u>	<u>38</u>	<u>97</u>	<u>450</u>

(m) **Financial risk management objectives and policies**

At the end of each of the Relevant Periods, Gi Li's principal financial instruments comprise cash and cash equivalents, trade receivables, trade and bills payables, other receivables and payables and bank borrowings.

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

(i) *Interest rate risk*

The interest rates and the terms of repayment of Gi Li's bank loans are disclosed in Section 3(j) above. Gi Li has no significant exposure to interest rate risk.

(ii) *Foreign currency risk*

Gi Li'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 reporting currency of Hong Kong dollars.

(iii) *Credit risk*

The carrying amount of trade receivables included in the balance sheets represents Gi Li's maximum exposure to credit risk in relation to the Gi Li's financial assets. Gi Li has a significant concentration of credit risk in relation to trade receivables as the trade receivables due from the 3 largest customers accounted for 79% of Gi Li's trade receivables as at 30th June, 2005.

Gi Li performs ongoing credit evaluations of its customer's financial condition 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 Gi Li, comprising cash and cash equivalents and other receivables, Gi Li'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 are no significant concentrations of credit risk within Gi Li in relation to the other financial assets.

(iv) *Fair values*

The financial assets and liabilities which are not carried at fair value in the 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 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 their fair values, based on the borrowing rates currently available for bank loans with similar terms and average maturity.

(v) *Liquidity risk*

Gi Li'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.

4. STATEMENTS OF CHANGES IN EQUITY

The following are the statements of changes in equity of Gi Li for the Relevant Periods, after making such adjustments as considered appropriate:

	Issued share capital <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i> <i>(Note (a), (b))</i>	Exchange fluctuation reserve <i>HK\$'000</i> <i>(Note (b))</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i> <i>(Note (b))</i>	Total <i>HK\$'000</i>
At 14th March, 2002 (date of incorporation)	-	-	-	-	-
Exchange realignment and net loss recognised directly in equity	-	-	(31)	-	(31)
Profit for the period	-	-	-	2,334	2,334
Total recognised income and expense for the period	-	-	(31)	2,334	2,303
Issue of share capital	1,135	-	-	-	1,135
Transfer from retained profits	-	296	-	(296)	-
At 31st December, 2002 and 1st January, 2003	1,135	296	(31)	2,038	3,438
Exchange realignment and net loss recognised directly in equity	-	-	93	-	93
Profit for the year	-	-	-	4,555	4,555
Total recognised income and expense for the year	-	-	93	4,555	4,648
Transfer from retained profits	-	456	-	(456)	-
At 31st December, 2003 and 1st January, 2004	1,135	752	62	6,137	8,086
Exchange realignment and net loss recognised directly in equity	-	-	(110)	-	(110)
Loss for the year	-	-	-	(5,685)	(5,685)
Total recognised income and expense for the year	-	-	(110)	(5,685)	(5,795)
At 31st December, 2004 and 1st January, 2005	1,135	752	(48)	452	2,291
Exchange realignment and net gain recognised directly in equity	-	(20)	209	-	189
Loss for the period	-	-	-	(175)	(175)
Total recognised income and expense for the period	-	(20)	209	(175)	14
Transfer to retained profits	-	(246)	-	246	-
At 30th June, 2005	<u>1,135</u>	<u>486</u>	<u>161</u>	<u>523</u>	<u>2,305</u>

	Issued share capital <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i> (Note (a), (b))	Exchange fluctuation reserve <i>HK\$'000</i> (Note (b))	Retained profits/ (accumulated losses) <i>HK\$'000</i> (Note (b))	Total <i>HK\$'000</i>
At 1st January, 2004	1,135	752	62	6,137	8,086
Exchange realignment and net loss recognised directly in equity (Unaudited)	-	-	(119)	-	(119)
Loss for the period (Unaudited)	-	-	-	(3,889)	(3,889)
Total recognised income and expense for the period (Unaudited)	-	-	(119)	(3,889)	(4,008)
At 30th June, 2004 (Unaudited)	<u>1,135</u>	<u>752</u>	<u>(57)</u>	<u>2,248</u>	<u>4,078</u>

Notes:

- (a) In accordance with the relevant ROC regulations, companies established in the ROC are required to transfer a certain percentage of its profit after tax to the statutory reserve fund. Subject to certain restrictions set out in the relevant ROC regulations and in Gi Li's articles of association, the statutory reserve fund may be used either to offset losses, or for capitalisation issues by way of paid-up capital.
- (b) These accounts comprise the reserves of HK\$2,303,000, HK\$6,951,000, HK\$1,156,000 and HK\$1,170,000 as at 31st December, 2002, 2003 and 2004 and 30th June, 2005, respectively, in the balance sheets.

5. CASH FLOW STATEMENTS

The following are the cash flow statements of Gi Li for the Relevant Periods, after making such adjustments as considered appropriate:

		Period from 14th March, 2002 (date of incorporation) to 31st December, 2002		Year ended 31st December, 20032004		Six months ended 30th June, 20042005	
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(Unaudited)	
CASH FLOWS FROM							
OPERATING ACTIVITIES							
Profit/(loss) before tax		3,112	5,779	(8,060)	(5,186)	(233)	
Adjustments for:							
Finance costs	Section 2(b)	99	851	406	141	79	
Interest income	Section 2(a)	(5)	(12)	(26)	(13)	(23)	
Depreciation	Section 2(c)	30	190	314	216	297	
Operating profit/(loss) before working capital changes		3,236	6,808	(7,366)	(4,842)	120	
(Increase)/decrease in inventories		(2,036)	(9,268)	5,922	9,407	(672)	
(Increase)/decrease in trade receivables		(25,093)	(62,598)	69,795	47,125	(22,900)	
(Increase)/decrease in prepayments, deposits and other receivables		(10,980)	(56,636)	40,162	50,211	13,137	
Increase/(decrease) in trade and bills payables		31,066	91,229	(58,455)	(67,080)	2,950	
Increase/(decrease) in other payables and accruals		11,555	53,985	(60,251)	(50,726)	(695)	

	Period from 14th March, 2002 (date of incorporation) to 31st December, 2002	Year ended 31st December,		Six months ended 30th June,	
Notes	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	2004 HK\$'000	2005 HK\$'000
				(Unaudited)	
Cash generated from/ (used in) operations	7,748	23,520	(10,193)	(15,905)	(8,060)
Overseas income tax paid	-	(234)	(781)	(775)	-
Interest received	5	12	26	13	23
Interest paid	(99)	(851)	(406)	(141)	(79)
Net cash inflow/(outflow) from operating activities	7,654	22,447	(11,354)	(16,808)	(8,116)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of fixed assets	(255)	(3,414)	(3,142)	(2,657)	(412)
(Increase)/decrease in pledged time deposits	-	-	(114)	-	114
Net cash outflow from investing activities	(255)	(3,414)	(3,256)	(2,657)	(298)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of share capital	Section 4 1,135	-	-	-	-
New bank loans	-	1,473	2,198	1,572	9,832
Repayment of bank loans	-	(68)	(224)	(110)	(557)
Net cash inflow from financing activities	1,135	1,405	1,974	1,462	9,275

	Period from 14th March, 2002 (date of incorporation) to 31st December, 2002	Year ended 31st December,		Six months ended 30th June,	
Notes	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	2004 HK\$'000	2005 HK\$'000
				(Unaudited)	
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	8,534	20,438	(12,636)	(18,003)	861
Cash and cash equivalents at beginning of year/period	–	8,498	29,039	29,039	16,035
Effect of foreign exchange rate changes, net	(36)	103	(368)	(74)	(250)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	8,498	29,039	16,035	10,962	16,646
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	Section 3(g) 8,498	29,039	16,035	10,962	16,646

6. SUBSEQUENT EVENTS

No material event took place subsequent to 30th June, 2005.

7. ULTIMATE HOLDING COMPANY

In the opinion of the directors of Gi Li, Ju Teng International Holdings Limited, a company incorporated in the Cayman Islands, is the ultimate holding company of Gi Li.

8. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Gi Li in respect of any period subsequent to 30th June, 2005.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out here to illustrate the effect of the options granted under Pre-IPO Share Option Scheme on the unaudited pro forma historical diluted earnings per Share as if the options granted under Pre-IPO Share Option Scheme had been exercised in full on 1st January, 2004 and the effect of the Share Offer on (i) the unaudited pro forma fully diluted forecast earnings per Share for the year ending 31st December, 2005 as if it had taken place on 1st January, 2005 and (ii) the unaudited pro forma adjusted net tangible assets of the Group as if it had taken place on 30th June, 2005.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the actual financial position of the Group as at 30th June, 2005 or at any future date.

A. UNAUDITED PRO FORMA HISTORICAL DILUTED EARNINGS PER SHARE AFTER TAKING INTO ACCOUNT THE EXERCISE IN FULL OF THE OPTIONS GRANTED UNDER THE PRE-IPO SHARE OPTION SCHEME

It is expected that the exercise in full of the options granted under the Pre-IPO Share Option Scheme will have the following impact on the historical earnings per Share of the Company:

Net profit for the year ended	
31st December, 2004	Approximately HK\$241 million
Number of Shares in issue or to be issued pursuant	
to the Capitalisation Issue (<i>Note 1</i>)	740,000,000
Number of Shares to be issued upon full exercise	
of the options granted under the Pre-IPO Share	
Option Scheme	2,800,000
Basic earnings per Share (<i>Note 2</i>)	Approximately 32.6 HK cents
Unaudited pro forma diluted earnings per Share	
after taking into account of the exercise in full	
of the options granted under the	
Pre-IPO Share Option Scheme (<i>Note 3</i>)	Approximately 32.4 HK cents

Notes:

1. Based on the assumption that 740,000,000 Shares, comprising 52,600,000 Shares in issue and 687,400,000 Shares to be issued pursuant to the Capitalisation Issue, were deemed to have been issued throughout the year ended 31st December, 2004.
2. The calculation of the basic earnings per Share is based on the combined profit attributable to the equity holders of the Company for the year ended 31st December, 2004 and divided by 740,000,000 Shares, being the number of Shares deemed to have been issued throughout the year ended 31st December, 2004 and prior to the Share Offer and without the exercise of the options granted under the Pre-IPO Share Option Scheme.

3. The calculation of the unaudited pro forma diluted earnings per Share is based on the combined profit attributable to the equity holders of the Company for the year ended 31st December, 2004 and divided by 742,800,000 Shares, being the number of Shares deemed to have been issued throughout the year ended 31st December, 2004 and prior to the Share Offer and as adjusted by the 2,800,000 Shares issuable upon the exercise in full of the options granted under the Pre-IPO Share Option Scheme, as if these Shares had been issued on 1st January, 2004.

B. UNAUDITED PRO FORMA FULLY DILUTED FORECAST EARNINGS PER SHARE

For the year ending 31st December, 2005

Forecast combined profit attributable to the equity holders of the Company (*Note 1*) not less than approximately
HK\$180 million

Forecast earnings per Share on pro forma fully diluted basis (*Notes 2 and 3*) approximately 18.0 HK cents

Notes:

- (1) The bases and assumptions on which the above profit forecast has been prepared is summarised and set out in Appendix IV to this prospectus. The forecast of the combined profit attributable to the equity holders of the Company for the year ending 31st December, 2005 prepared by the Directors is based on the audited combined results of the Group for the six months ended 30th June, 2005, unaudited management accounts of the Group for the two months ended 31st August, 2005 and a forecast of the combined results of the Group for the remaining four months ending 31st December, 2005.
- (2) The calculation of forecast earnings per Share on pro forma fully diluted basis is based on the forecast combined profit attributable to the equity holders of the Company for the year ending 31st December, 2005 and assuming that we had been listed on the Main Board since 1st January, 2005 and a total of 1,000,000,000 Shares had been in issue throughout the year. The calculation does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, any options which have been or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme or which may be allotted and issued or repurchased by us pursuant to the Share Award Plan or the general mandates for the allotment and issue or repurchase of Shares referred to in the paragraph headed "Resolutions in writing of all Shareholders passed on 17th June, 2005 and 6th October, 2005" in Appendix VII to this prospectus.
- (3) No account has been taken of any interest which may have been earned if the estimated net proceeds from the New Issue had been received on 1st January, 2005.

C. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group is based on the audited combined net assets of the Group as at 30th June, 2005, as shown in the accountants' report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net assets of the Group as at 30th June, 2005	Estimated net proceeds from the New Issue	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets value per Share
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 2)</i>
Based on the Offer Price of HK\$1.24 per share	<u>780,896</u>	<u>286,800</u>	<u>1,067,696</u>	1.07
Based on the Offer Price of HK\$1.57 per share	<u>780,896</u>	<u>366,400</u>	<u>1,147,296</u>	1.15

Notes:

1. The estimated net proceeds from the New Issue is based on the Offer Price of HK\$1.24 and HK\$1.57 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company.
2. The unaudited pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the preceding paragraph to the minimum and maximum indicative Office Price of HK\$1.24 and HK\$1.57, respectively, and on the basis of a total of 1,000,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue but takes no account of any Share which may be issued upon the exercise of the Over-allotment Option or any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by the Company under the Share Award Plan or pursuant to the general mandates described in the paragraph headed "Resolutions in writing of all Shareholders passed on 17th June, 2005 and 6th October, 2005" in Appendix VII to this prospectus.
3. With reference to the valuation of the Group's property interests as set out in Appendix V to this prospectus, the aggregate revalued amount of the property interests of the Group as at 31st July, 2005 was about HK\$444.50 million. The unaudited net book value of these properties as at 31st July, 2005 was about HK\$436.6 million. Thus, the revaluation surplus is about HK\$7.9 million which has not been included in the above unaudited pro forma adjusted net tangible assets value of the Group. Such a revaluation surplus will not be recorded in the Group's financial statements as the Group accounts for its property interests under the historical-cost convention. If such revaluation surplus was included in the Group's financial statements for the year ending 31st December, 2005, an additional depreciation charge of about HK\$0.4 million per annum would be incurred.

D. COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

25th October, 2005

The Directors
Ju Teng International Holdings Limited

Dear Sirs,

Ju Teng International Holdings Limited (the “Company”) and its subsidiaries (the “Group”)

We report on the unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”) set out on pages III-1 to III-3 under the headings of unaudited pro forma historical diluted earnings per share after taking into account of the exercise in full of the options (“Pre-IPO Share Options”) granted under the Pre-IPO Share Option Scheme, unaudited pro forma fully diluted forecast earnings per share and unaudited pro forma adjusted net tangible assets in Appendix III of the prospectus of the Company dated 25th October, 2005 in connection with the placing and public offer of the shares of the Company (the “Share Offer”), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Pre-IPO Share Options and the Share Offer might have affected the relevant financial information presented.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It is our responsibility to form an opinion, as required by the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information has been prepared on the bases set out on pages III-1 to III-3 for illustrative purposes only and, because of its nature, it may not be indicative of:

- the earnings per share of the Group for the year ended 31st December, 2004 or for any future period; and
- the financial position of the Group as at 30th June, 2005 or at any future date.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29 of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The forecast of the combined profit attributable to the equity holders of the Company for the year ending 31st December, 2005 is set out in the paragraph headed "Profit forecast" for the year ending 31st December, 2005 under the section headed "Financial information" in this prospectus.

1. BASES AND ASSUMPTIONS

The forecast of the combined profit attributable to the equity holders of the Company for the year ending 31st December, 2005 prepared by the Directors is based on the audited financial statements of our Group for the six months ended 30th June, 2005, the unaudited management accounts of our Group for the two months ended 31st August, 2005 and a forecast of the combined results of our Group for the remaining four months ending 31st December, 2005. The forecast has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by our Group as summarised in the Accountants' Report of the Company, the text of which is set out in Appendix I to this prospectus and is based on the following principal assumptions:

- (a) there will be no material changes in the existing laws or regulations, government policies or political, legal (including changes in legislation or regulations or rules), fiscal or economic conditions in Hong Kong, the PRC, or any of the countries or place in which our Group carries on business;
- (b) there will be no material changes in the inflation, interest rates or exchange rates in Hong Kong, Taiwan, the PRC and other countries applicable to the business activities of our Group from those prevailing as at the date of this prospectus;
- (c) there will be no material change in the bases or rates of taxation or duties in Hong Kong, Taiwan and the PRC, or any of the countries in which our Group operates or in which our Group companies are incorporated or registered; and
- (d) there will be no reversal of tax provision on profits derived from Taiwan.

2. LETTERS

Set out below are texts of the letters prepared for the purpose of inclusion in this prospectus received by the Directors from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, and from the Sponsors in connection with the forecast of the combined profit attributable to the equity holders of the Company for the year ending 31st December, 2005.



18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

25th October, 2005

The Directors
Ju Teng International Holdings Limited
SinoPac Securities (Asia) Limited
Access Capital Limited

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the combined profit attributable to the equity holders of Ju Teng International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending 31st December, 2005 (the "Profit Forecast"), for which the directors of the Company are solely responsible, as set out in the paragraph headed "Profit forecast for the year ending 31st December, 2005" under the section headed "Financial information" in the prospectus of the Company dated 25th October, 2005 (the "Prospectus").

The Profit Forecast has been prepared by the directors of the Company based on the audited combined results of the Group for the six months ended 30th June, 2005, the unaudited management accounts of the Group for the two months ended 31st August, 2005 and a forecast of the combined results of the Group for the remaining four months ending 31st December, 2005.

In our opinion, the Profit Forecast, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out in Appendix IV to the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies currently adopted by the Group as set out in our accountants' report dated 25th October, 2005, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

Letter from the Sponsors

25th October, 2005

The Directors
Ju Teng International Holdings Limited

Dear Sirs,

We refer to the forecast of the combined profit attributable to equity holders of Ju Teng International Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ending 31st December, 2005 (the "Forecast") as set out in the prospectus of the Company dated 25th October, 2005.

We have discussed with you the bases and assumptions upon which the Forecast has been made. We have also considered the letter dated 25th October, 2005 addressed to you and us from Ernst & Young regarding the accounting policies and calculation upon which the Forecast has been made.

On the basis of the foregoing and on the bases and assumptions made by you and the accounting policies and calculation adopted by you and reviewed by Ernst & Young, we have formed the opinion that the Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of

SinoPac Securities (Asia) Limited

Paul Lui

Director

Access Capital Limited

Jeanny Leung

Managing Director

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this prospectus received from LCH (Asia-Pacific) Surveyors Limited, the independent property valuer, in connection with its valuations as at 31st July, 2005 of the property interests held by our Group.



利駿行測量師有限公司

LCH (Asia-Pacific) Surveyors Limited

CHARTERED SURVEYORS

PLANT AND MACHINERY VALUERS

BUSINESS & FINANCIAL SERVICES VALUERS

27th Floor
Li Dong Building
No.9 Li Yuen Street East
Central
Hong Kong

25th October, 2005

The Directors
Ju Teng International Holdings Limited
Suites 3311-3312
33rd Floor
Jardine House
No. 1 Connaught Place
Central
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which Ju Teng International Holdings Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter together with the Company referred to as the "Group") have interests in Hong Kong, Taiwan and the People's Republic of China (hereinafter referred to as the "PRC" or "China") for the Company's financial statements and for the purpose of incorporation in this prospectus, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary to support our findings and our opinion of values of the properties of the Group as at 31st July, 2005 (hereinafter referred to as the "date of valuation").

According to the 5th Edition of the RICS Appraisal and Valuation Standards (hereinafter referred to as the "RICS Standards") published by the Royal Institution of Chartered Surveyors and the 1st Edition of the HKIS Valuation Standards on Properties (hereinafter referred to as the "HKIS Standards") published by the Hong Kong Institute

of Surveyors (hereinafter referred to as the “HKIS”) which superseded the previous guidance notes published by the HKIS with effect from 1st January, 2005, in valuing owner occupied properties for financial statements, there are two valuation bases supported by the RICS Standards and the HKIS Standards, namely the market-based evidence (market comparison basis) and the depreciated replacement cost (hereinafter referred to as the “DRC”).

The DRC basis is considered as a surrogate for market-based evidence and is a procedural value based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements erected thereon, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation.

Appendix 3.1 of Chapter 3 of the RICS Standards states that for owner occupied specialised properties where it is impracticable to identify the market value by market comparison basis, the DRC is considered as the most appropriate basis. The underlying theory of this basis is the market value of the valued property should, at least, be equivalent to the replacement cost of the remaining service potential of the valued property i.e. the DRC of the valued property. In our opinion, the DRC generally furnishes the most reliable indication of value for property where it is not practicable to ascertain its value on market basis.

The term “Market Value” used in this valuation is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Specialised properties are defined as certain types of properties which are rarely, if ever, sold in the market, except by way of a sale of the business of which they are a part (called the business in occupation), due to uniqueness arising from their specialised nature and design, their configuration, size, location or otherwise. Examples are: standard properties, for operational or business reasons, located in particular geographical areas and remote from main business centres that are of such an abnormal size for that district, that there would be no market for such buildings there; buildings and site engineering works that are related directly to the business of the owner, as it is highly unlikely that they would have a value to anyone other than a company acquiring the undertaking; and properties of such construction, arrangement, size or specification that there would be no market (for a sale to a single owner occupier for the continuation of existing use) for those buildings. Having considered the inherent and general characteristics of the properties in Group I, we are of the opinion that the properties in Group I are specialised properties.

As the properties being valued in Group I are classified as specialised properties for private sector and it is impracticable to ascertain the indication of values of the properties on market basis, our valuations of the properties are on the basis of the DRC of these properties and being subject to the test of adequate potential profitability of the business having due regard to the values of the total assets employed and the nature of the operation.

By using the DRC basis, the land should be assumed to have the benefit of having obtained planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the buildings, the gross replacement cost of the buildings should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are at the date of valuation which are fit for and capable of being occupied and used for the current use. These estimated costs are not for erecting buildings in the future but for providing buildings to be available for occupation at the date of valuation, the work having commenced at the appropriate time.

As the DRC basis is a commonly accepted valuation method in negotiating merger and acquisition in China, we consider that there should be no significant difference between the Market Value and the arrived DRC of the properties in case of cessation of the existing business (if any) as at the date of valuation.

In valuing the properties in Group I, we have assumed that the Group has free and uninterrupted rights to use the property interests for the whole of the unexpired terms as granted and has the rights to assign, sub-let or mortgage the properties. We have also assumed that any premiums payable have already been paid in full.

The current status of the properties in Group I regarding major approvals, consents or licences required in the PRC is set out as follows:

		Document/Approval	
		Contract for the Grant of State-owned Land Use Rights/Contract for the Transfer of Stated-owned Land Use Rights or equivalent	State-owned Land Use Rights Certificate/Realty Title Certificate
Property	Enterprise Legal Person Business Licence		
Group I			
Property 1	Yes	Yes	Yes
Property 2	Yes	Yes	No (Note)
Property 3	Yes	Yes	Yes
Property 4	Yes	Yes	Yes
Property 5	Yes	Yes	Yes

Note:

The Company is in the process of applying for the relevant State-owned Land Use Rights Certificate.

Our valuations of the properties in Groups II, III, IV and V are on the basis of market value determined from market-based evidence. Our valuations of these properties have been made on the assumption that the owners sell the properties on the open market in their existing states without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the values of the properties.

Properties in Group II have been valued by using the sales comparison approach. This approach considers the sales, listings or offering of similar or substitute properties and related market data and establishes a value estimate of a property that a reasonable investor would have to pay for a similar property of comparable utility.

Properties in Groups III, IV and V are rented by the Group in the PRC, Taiwan and Hong Kong, respectively and have no commercial values due mainly to the short-term nature of the tenancy agreements or prohibition against assignment or sub-letting or lack of substantial profit rents.

According to Chapter 5 of the RICS Standards and Standard 3 of the 7th Edition of the International Valuation Standards published by the International Valuation Standards Committee, different classes of assets and basis of valuation should be separately presented in the report. Thus we have followed these guidelines in presenting our opinions under different basis of value, namely the market basis and the DRC basis.

We have relied solely on the information provided by the management of the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

We have not carried out on-site measurements to verify the correctness of the floor areas of the properties, but have assumed that the floor areas shown on the documents and official floor plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement did not include land survey to verify the legal boundaries and the exact location of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the representation of the Group's personnel with regards to the legal boundaries and location of the properties. No responsibility is assumed in this regard.

We have inspected the exterior, and where possible, the interior of the properties in respect of which we have been provided with such information as we have requests for the purpose of our valuations. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of uninspected parts, and the attached valuation certificate should not be taken as making any implied representation or statement about such parts. No structural survey, investigation or examination has been made, but in the course of our inspections we did not note any serious defects in the properties being valued. We are unable to report that the properties being valued are free from rot, infestation or any other structural defects. No tests were carried out to the services (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

Our valuations have been made on the assumption that no unauthorised alteration, extension or addition have been made to the properties, and that the attached valuation certificate should not be used as a building survey of the properties.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

We have been provided with copies of the title documents regarding the properties. However, we have not searched the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. With regard to the property in Group V, we have conducted searches at the Land Registry in Hong Kong. Due to inherent defects in the land registration system of China, we are unable to search the original documents from the relevant land registration departments to verify the existing titles of the properties in the PRC or any material encumbrances that might be attached to the properties. We are not attorney by nature, thus we are unable to ascertain the titles and to report any encumbrances that may register against the properties.

In the course of valuation, we have complied with the requirements as stated in Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and relied solely on the copy of the PRC legal opinion as provided by the Group with regard to the Group's titles on the properties as disclosed in Groups I and III in the attached valuation certificate. We are given to understand that the PRC legal opinion was prepared by Jingtian and Gongcheng, the Group's PRC legal adviser. For the properties in Groups II and IV, we have relied solely on the copy of legal opinion as provided by the Group and prepared by Huang & Chiang, the Group's Taiwan legal adviser, with regard to the Group's titles of the properties. No responsibility and liability is assumed in relation to those legal opinions.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values now reported.

To the best of our knowledge, all data set forth in the attached valuation certificate are true and accurate. Although gathered from reliable sources, no warranty is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others which have been used in formulating the attached valuation certificate.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company. Also, we have sought and received confirmation from the management of the Company that no material factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the Company of material and latent facts that may affect the valuations.

We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

The scope of valuations has been determined by reference to the property list provided by the management of the Company. All properties on the list have been included in the attached valuation certificate. The management of the Company has confirmed to us that it has no property interests other than those specified on the list supplied to us.

Our opinion of values of the properties in the attached summary of values and the valuation certificate are valid only for the stated purpose as at the date of valuation and for the sole use of the named client. No responsibility is taken for changes in market conditions and no obligation is assumed to revise the attached summary of values and the valuation certificate to reflect events or conditions which occur subsequent to the date hereof.

The attached summary of values and the valuation certificate are prepared in line with the requirements contained in Chapter 5 and Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the ethics and guidelines as contained in the RICS Standards and the HKIS Standards. The valuations have been undertaken by valuers, acting as external valuers, qualified for the purpose of the valuations.

Unless otherwise stated, all monetary amounts are in Hong Kong dollars. In valuing the properties in Groups I and II the adopted exchange rates were the prevailing rates as at the date of valuation, being RMB1.04 per HK\$1 and NT\$4.26 per HK\$1, respectively and no significant fluctuation in exchange rates have been found between that date and the date of this letter.

Neither the whole nor any part of the attached summary of values and the valuation certificate or any reference made hereto may be included in any published document, circular or statement, or be published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this letter, the attached summary of values and the valuation certificate in this prospectus.

We retain a copy of this letter, the attached summary of values and the valuation certificate in our files, together with the data from which it was prepared. We considered these records confidential, and we do not permit access to them by anyone without your authorization and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have neither present nor prospective interest in the properties, the Company, the Group or the values reported.

Our valuations are summarised below and the valuation certificate is attached.

Yours faithfully,

For and on behalf of

LCH (Asia-Pacific) Surveyors Limited

Joseph Ho Chin Choi

B.Sc. MRICS

Managing Director

Elsa Ng Hung Mui

B.Sc. M.Sc. MRICS MHKIS RPS(GP)

Associate Director

Notes:

1. Mr. Joseph Ho Chin Choi has been conducting assets valuation (including real estate properties) and advisory work in Hong Kong, Macau, Taiwan, Mainland China, Japan, South East Asia, Finland, Canada and the United States of America for various purposes since 1988. He has more than 15 years of experience in valuing real estate properties in China.
2. Ms. Elsa Ng Hung Mui is a Registered Professional Surveyor who has been conducting valuation of real estate properties in Hong Kong since 1994 and has more than 6 years of experience in valuing properties in Mainland China.
3. Both Mr. Joseph Ho Chin Choi and Ms. Elsa Ng Hung Mui are valuers on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

SUMMARY OF VALUES

Group I – Properties held and occupied by the Group under long-term title certificates in the PRC and valued on the basis of DRC

Property	Interest attributable to the Group	Amount of valuations in existing state attributable to the Group as at 31st July, 2005 <i>HK\$</i>
1. A factory complex occupied by Everyday Computer Components (Suzhou) Co., Ltd and located at No. 2 Gua Jing Road Song Ling Town Economic Development District Wu Jiang City Jiang Su Province The PRC	100 per cent.	57,900,000
2. A factory complex occupied by Everyday Computer Components (Suzhou) Co., Ltd. and located at Gua Jing Road Song Ling Town Economic Development District Wu Jiang City Jiang Su Province The PRC	100 per cent.	48,340,000
3. A factory complex occupied by Everyday Computer Components (Suzhou) Co., Ltd. and located at Jiu Long Bei Road Song Ling Town Economic Development District Wu Jiang City Jiang Su Province The PRC	100 per cent.	77,850,000

		Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Interest attributable to the Group	
4. A factory complex occupied by Suzhou Dazhi Communication Accessory Co., Ltd. and located at No. 351 Zhong Shan North Road Song Ling Town Economic Development District Wu Jiang City Jiang Su Province The PRC	100 per cent.	221,720,000
5. A factory complex occupied by Ju Teng Electronics (Shanghai) Co., Ltd. and erected on a parcel of land known as Song Kai III – 27 Hao and located at No. 255 Rong Xiang Road Songjiang Export Processing Zone Shanghai The PRC	100 per cent.	34,630,000
Sub-total:		440,440,000

Group II – Properties held and occupied by the Group in Taiwan and valued on the basis of market-based evidence

		Amount of valuations in existing state attributable to the Group as at 31st July, 2005 <i>HK\$</i>
Property	Interest attributable to the Group	
6. Level 1 of a composite building located at No. 283-2 Min An Road Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan	100 per cent.	970,000
7. Level 1 of a composite building located at No. 283-3 Min An Road Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan	100 per cent.	980,000
8. Level 1 of a composite building located at No. 287-1 Min An Road and Car Parking Space No. 46 on Basement 1 Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan	100 per cent.	1,020,000
9. Level 1 of a composite building located at No. 287-2 Min An Road and Car Parking Space Nos. 47 and 48 on Basement 1 Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan	100 per cent.	1,090,000
Sub-total:		4,060,000

Group III – Properties rented by the Group in the PRC and valued on the basis of market-based evidence

Property	Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
10. House No. C18 of Winsor Park Regent on the Park No. 318 Chang Jiang Road Suzhou City Jiang Su Province The PRC	No commercial value
11. A building and its ancillary facilities located at No. 669 Mei Neng Da Road Songjiang District Industrial Zone Shanghai The PRC	No commercial value
12. Three various buildings and some ancillary facilities located at No. 1155 Min Jiang Road Songjiang District Industrial Zone Shanghai The PRC	No commercial value

		Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property		
13.	The whole of No. 6 Standard Factory Building Alley 8 Rong Jiang Road Songjiang Export Processing Zone Shanghai The PRC	No commercial value
14.	Flat 902 No. 277, Block 79 Lu Zhou Hua Ting Alley 888 Si Xian Road (previously known as Dong Mei Road) Songjiang District Shanghai The PRC	No commercial value
15.	Flat 1002 No. 277, Block 79 Lu Zhou Hua Ting Alley 888 Si Xian Road (previously known as Dong Mei Road) Songjiang District Shanghai The PRC	No commercial value
Sub-total:		Nil

Group IV – Properties rented by the Group in Taiwan and valued on the basis of market-based evidence

Property	Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
16. The whole of the Level 3 of a composite building located at No. 2, Lane 83 Cheng Gong Road Hsin Chuang City Taipei County Taiwan	No commercial value
17. Penthouse of a composite building located at No. 283-2 Min An Road Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan	No commercial value
18. Level 1 of a composite building located at No. 283-7 Min An Road Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan	No commercial value
19. Level 1 of a composite building located at No. 283-8 Min An Road Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan	No commercial value
20. Level 1 of a composite building located at No. 287 Min An Road Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan	No commercial value

		Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property		
21.	A residential unit on Level 4 of a composite building located at No. 312 Min An Road Hsin Chuang City Taipei County Taiwan	No commercial value
22.	A single storey temporary warehouse located at Nos. 12-8 and 12-9 Qiong Lin Nan Road Hsin Chuang City Taipei County Taiwan	No commercial value
23.	A single storey temporary warehouse located at No. 61-14 Qiong Lin Nan Road Hsin Chuang City Taipei County Taiwan	No commercial value
24.	Car Parking Space Nos. 55, 69 and 97 on Basement 1 No. 287-7 Min An Road Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan	No commercial value
Sub-total:		Nil

APPENDIX V PROPERTY VALUATION

PROPERTY VALUATION

Group V – Property rented by the Group in Hong Kong and valued on the basis of market-based evidence

Property	Amount of valuations in existing state attributable to the Group as at 31st July, 2005
<p>25. Suites 3311-3312 on 33rd Floor Jardine House No. 1 Connaught Place Central Hong Kong</p>	No commercial value

Sub-total:	Nil

Grand Total:	HK\$444,500,000

VALUATION CERTIFICATE

Group I – Properties held and occupied by the Group under long-term title certificates in the PRC and valued on the basis of DRC

			Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and tenure	Particulars of occupancy	
1. A factory complex occupied by Everyday Computer Components (Suzhou) Co., Ltd. and located at No. 2 Gua Jing Road Song Ling Town Economic Development District Wu Jiang City Jiang Su Province The PRC	<p>The property comprises two parcels of adjoining land having a total site area of approximately 49,175.30 sq.m. with 10 various major buildings and structures erected thereon. The buildings and structures include three various 3-storey workshops, a 3-storey office building, three various 5-storey staff quarters, and other ancillary facilities of single storey in height which were completed in 2001. They have a total gross floor area of approximately 50,514.21 sq.m. (see Note 3 below).</p> <p>The property is subject to a right to use the land until 28th May, 2050 for industrial purpose (see Notes 1 and 2 below).</p>	The property is currently occupied by the Group for manufacturing, storage, ancillary office, staff quarters and other supporting purposes.	57,900,000 (100% interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land has been transferred to Everyday Computer Components (Suzhou) Co., Ltd. (hereinafter referred to as "Everyday Computer") through the following ways:
- (i) For a parcel of land having a site area of 22,400.00 sq.m.

According to a Contract for the Transfer of State-owned Land Use Rights known as Wu Di Zhuan He (2000) Di 2 Hao dated 17th January, 2000, the land use rights for a parcel of land having a site area of approximately 22,400 sq.m. was transferred to Giant Glory International Limited at a consideration of RMB896,000 for a term till 17th January, 2050 for industrial usage.

According to an agreement for transfer of land, Giant Glory International Limited agreed to transfer the land use rights to Everyday Computer.

- (ii) For a parcel of land having a site area of 26,775.30 sq.m.

According to a Contract for the Grant of State-owned Land Use Rights known as Wu Di Rang He (00) Di 008 Hao dated 29th May, 2000, the land use rights for a parcel of land having a site area of approximately 22,500 sq.m. was granted to Sunrise Plastic Injection Company Limited at a consideration of RMB2,700,000 for a term of 50 years commencing from 29th May, 2000 and expiring on 28th May, 2050 for industrial usage.

According to a supplementary agreement dated 20th February, 2001, the site area of the land should be 26,775.30 sq.m. instead of 22,500 sq.m. as stated in the above land grant contract and an additional consideration of RMB513,036 was required.

According to the same agreement for transfer of land as mentioned in Note 1(i) above, Sunrise Plastic Injection Company Limited agreed to transfer the land use rights to Everyday Computer.

- 2. According to a State-owned Land Use Rights Certificate known as Jiang Guo Yong (2001) Zi Di 01204007 Hao issued by the Land Administration Bureau of Wujiang City, the legally interested party in the land having a site area of approximately 49,175.30 sq.m. is Everyday Computer for a term commencing from 29th May, 2000 to 28th May, 2050 for industrial purpose.
- 3. According to a Building Ownership Certificate known as Wu Fang Guan Zheng Song Ling Zi Di 01016785 Hao issued by the People's Government of Wujiang City and dated 13th May, 2004, the legally interested party in the following buildings having a total gross floor area of approximately 50,514.21 sq.m. is Everyday Computer. The area breakdowns of the major buildings are as follows:

	Gross Floor Area (sq.m.)
(i) a single storey guard room (Block 1)	72.43
(ii) a 3-storey workshop (Block 2)	9,072.88
(iii) a 3-storey office (Block 3)	2,368.14
(iv) a 3-storey workshop (Block 4)	10,621.91
(v) a 3-storey workshop (Block 5)	10,787.95
(vi) a single storey dangerous goods store room (Block 6)	491.95
(vii) a 5-storey staff quarters (Block 7)	9,616.55
(viii) a 5-storey staff quarters (Block 8)	3,632.08
(ix) a 5-storey staff quarters (Block 9)	3,632.08
(x) a single storey electricity room (Block 10)	218.24

- 4. According to a mortgage agreement and a confirmation letter from Bank of China Wujiang Branch dated 12th October, 2005, the property is subject to 2 various loans in favour of Bank of China Wujiang Branch with the latest expiry date on 14th December, 2005.
- 5. According to the legal opinion as prepared by the Group's PRC legal adviser, the following opinions are noted:
 - (i) Everyday Computer is a wholly foreign owned enterprise established in the PRC with a valid Enterprise Legal Person Business License for operation from 6th July, 2000 to 5th July, 2050;
 - (ii) Everyday Computer is a wholly-owned subsidiary of the Company;
 - (iii) Everyday Computer has obtained the right to use the land and its improvements legally either by way of land grant or assignment, and all the land premium has been paid. Everyday Computer is the only legally interested party in the property and has the right to assign, lease or mortgage the property without the need to pay additional land premium subject to the mortgage as mentioned in Note 4 above; and
 - (iv) as confirmed by Everyday Computer, save for the mortgage mentioned in Note 4 above, the property is free of all encumbrances.

			Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and tenure	Particulars of occupancy	
2. A factory complex occupied by Everyday Computer Components (Suzhou) Co., Ltd. and located at Gua Jing Road Song Ling Town Economic Development District Wu Jiang City Jiang Su Province The PRC	<p>The property comprises a parcel of land having a total site area of approximately 18,319.20 sq.m. with a 4-storey warehouse and a 6-storey staff quarters having a total gross floor area of approximately 43,508 sq.m. erected thereon. They were completed in 2005.</p> <p>The property is subject to a right to use the land for a term of 50 years till 19th April, 2054 for industrial purpose. (See Note 1 below)</p>	The property is currently occupied by the Group for storage and staff quarters purposes.	48,340,000 (100% interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to Everyday Computer Components (Suzhou) Co., Ltd. (hereinafter referred to as "Everyday Computer") via a Contract for the Grant of State-owned Land Use Rights known as Wu Di Rang He (04) Di 37 Hao dated 20th April, 2004 and its supplementary agreement dated 9th December, 2004, the land use rights for a parcel of land having a site area of approximately 18,319.20 sq.m. was granted to Everyday Computer at a consideration of RMB3,663,840 for a term of 50 years commencing from 20th April, 2004 and expiring on 19th April, 2054 for industrial usage.
2. According to two various Planning Permits for Construction Usage Land known as Wu Kai Jian Gui Di (2004) 92 Hao dated 13th July, 2004 and (2004) 118 Hao dated 30th November, 2004, Everyday Computer was permitted to develop the land.

According to two various Planning Permits for Construction Work known as Wu Kai Jian Gui Gong (2004) 107 Hao dated 13th July, 2004 and 136 Hao dated 30th November 2004 and two various Permits for Commencement of Construction Work dated 14th December, 2004, Everyday Computer was permitted to develop two various workshop and staff quarters having a total gross floor area of approximately 43,508 sq.m. on the land. According to the information provided by the management of the Company, upon completion, the gross floor area of each building is as follows:

		Gross Floor Area (sq.m.)
(i)	a 4-storey warehouse	15,848
(ii)	a 6-storey staff quarters	27,660
3.	As advised by the management of the Group, Everyday Computer is in the process of applying the State-owned Land Use Rights Certificate regarding the property.	

4. According to the legal opinion as prepared by the Group's PRC legal adviser, the following opinions are noted:
- (i) Everyday Computer is a wholly foreign owned enterprise established in the PRC with a valid Enterprise Legal Person Business License for operation from 6th July, 2000 to 5th July, 2050;
 - (ii) Everyday Computer is a wholly-owned subsidiary of the Company;
 - (iii) Everyday Computer has obtained the right to use the land and its improvements legally by way of land grant, and all the land premium has been paid;
 - (iv) Everyday Computer is in the process of applying the State-owned Land Use Rights Certificate and there is no legal impediment in such application. Everyday Computer is the only legally interested party in the property and has the right to assign, lease or mortgage the property once obtaining the relevant State-owned Land Use Rights Certificate and the Building Ownership Certificate; and
 - (v) as confirmed by Everyday Computer, the property is free of all encumbrances.

			Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and tenure	Particulars of occupancy	
3. A factory complex occupied by Everyday Computer Components (Suzhou) Co., Ltd. and located at Jiu Long Bei Road Song Ling Town Economic Development District Wu Jiang City Jiang Su Province The PRC	<p>The property comprises a parcel of land having a total site area of approximately 33,270.60 sq.m. with 8 various buildings and structures including three various workshops of 7 storeys in height, a 6-storey staff quarters, a 2-storey electricity room and other ancillary facilities of single storey in height which were completed in 2005. They have a total gross floor area of approximately 101,131.97 sq.m. (see Note 3 below).</p> <p>The property is subject to a right to use the land for 50 years till 19th December, 2054 for industrial purpose. (See Note 1 below)</p>	The property is currently occupied by the Group for manufacturing, staff quarters and other supporting purposes.	77,850,000 (100% interest) (See Note 5 below)

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to Everyday Computer Components (Suzhou) Co., Ltd. (hereinafter referred to as "Everyday Computer") via a Contract for the Grant of State-owned Land Use Rights known as Wu Di Rang He (04) Di 52 Hao dated 20th December, 2004, the land use rights for a parcel of land having a site area of approximately 33,270.60 sq.m. was granted to Everyday Computer at a consideration of RMB6,654,120 for a term of 50 years commencing from 20th December, 2004 and expiring on 19th December, 2054 for industrial usage.
2. According to a State-owned Land Use Rights Certificate known as Jiang Guo Yong (2005) Di 2600023 Hao issued by the People's Government of Wujiang City and dated 16th March, 2005, the legally interested party in the land having a site area of approximately 33,270.60 sq.m. is Everyday Computer for a term till 19th December, 2054 for industrial usage.
3. According to a Building Ownership Certificate known as Wu Fang Guan Zheng Song Ling Zi Di 01021998 Hao dated 8th September, 2005, the legally interested party in the following buildings having a total gross floor area of approximately 101,131.97 sq.m. is Everyday Computer.

The area breakdowns of the major buildings are as follows:

	Gross Floor Area (sq.m.)
(i) a single storey guard room (Block 1)	46.83
(ii) a 7-storey office and warehouse (Block 2)	22,843.35
(iii) a 7-storey plastic moulding workshop (Block 3)	29,405.30
(iv) a 2-storey electricity room (Block 4)	927.11
(v) a 6-storey staff quarters (Block 5)	19,278.49
(vi) a single storey water pump room (Block 6)	83.45
(vii) a 7-storey moulding and painting workshop (Block 7)	28,488.41
(viii) a single storey guard room (Block 8)	59.03
4. According to 2 various mortgage agreements dated 29th September, 2005 and 30th September, 2005, the property is subject to a mortgage in favour of CITIC Industrial Bank Suzhou Branch for a term commencing from 30th September, 2005 and expiring on 30th September, 2007.	
5. According to the information provided by the management of the Group, the cost for the construction in progress items was approximately RMB71,147,000 as at the date of valuation. In our valuation, the construction in progress items are reported at cost spent as at the date of valuation.	
6. According to the legal opinion as prepared by the Group's PRC legal adviser, the following opinions are noted:	
(i) Everyday Computer is a wholly foreign owned enterprise established in the PRC with a valid Enterprise Legal Person Business License for operation from 6th July, 2000 to 5th July, 2050;	
(ii) Everyday Computer is a wholly-owned subsidiary of the Company;	
(iii) Everyday Computer has obtained the right to use the land and its improvements legally by way of land grant, and all the land premium has been paid. Everyday Computer is the only legally interested party in the property. It has the right to assign, lease or mortgage the property without the need to pay additional land premium subject to the mortgage as mentioned in Note 4 above; and	
(iv) as confirmed by Everyday Computer, save for the mortgage as mentioned in Note 4 above, the property is free of all encumbrances.	

Property	Description and tenure	Particulars of occupancy	Amount of valuations
			in existing state attributable to the Group as at 31st July, 2005 HK\$
4. A factory complex occupied by Suzhou Dazhi Communication Accessory Co., Ltd. and located at No. 351 Zhong Shan North Road Song Ling Town Economic Development District Wu Jiang City Jiang Su Province The PRC	<p>The property comprises two parcels of adjoining land having a total site area of approximately 131,679.70 sq.m. with 28 various major buildings and structures with a total gross floor area of approximately 233,303.41 sq.m. erected thereon. The buildings and structures include workshops, warehouses, office building, staff quarters and other ancillary facilities. They are of single to 6-storey in height and were completed in 2003 and 2004. (see Notes 2 and 4 below)</p> <p>The property is subject to a right to use the land for various terms till 30th May, 2052 and 3rd July, 2053 for industrial purpose (see Note 1 below).</p>	The property is currently occupied by the Group for manufacturing, storage, ancillary office, staff quarters and other supporting purposes.	221,720,000 (100% interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to Suzhou Dazhi Communication Accessory Co., Ltd. (hereinafter referred to as "Suzhou Dazhi") through the following ways:
- (i) For a parcel of land having a site area of 98,676.70 sq.m.

According to a Contract for the Grant of State-owned Land Use Rights known as Wu Di Rang He (2002) Di 21 Hao dated 31st May, 2002, the land use rights for a parcel of land having a site area of approximately 97,000 sq.m. was granted to Everyday Computer Components (Suzhou) Co., Ltd. at a consideration of RMB14,550,000 for a term of 50 years commencing from 31st May, 2002 and expiring on 30th May, 2052 for industrial usage.

According to a supplementary agreement signed in 2002, the site area of the land should be 98,676.70 instead of 97,000 sq.m. as stated in the State-owned Land Grant Contract and an additional consideration of RMB251,505 was required. The land use rights was transferred to Suzhou Dazhi according to the application of Everyday Computer Components (Suzhou) Co., Ltd..

According to a State-owned Land Use Rights Certificate known as Jiang Guo Yong (2003) Zi Di 01113007 Hao issued by the People's Government of Wujiang City and dated 5th March, 2003, the legally interested party in the land having a site area of approximately 98,676.70 sq.m. is Suzhou Dazhi for a term till 30th May, 2052 for industrial usage.

- (ii) For a parcel of land having a site area of 33,003.00 sq.m.

According to a Contract for the Grant of State-owned Land Use Rights known as Wu Di Rang He (03) Di 21 Hao and its appendix dated 4th July, 2003, the land use rights for a parcel of land having a site area of approximately 33,003 sq.m. was granted to Suzhou Dazhi at a consideration of RMB5,280,480 for a term of 50 years commencing from 4th July, 2003 and expiring on 3rd July, 2053 for industrial usage.

According to a State-owned Land Use Rights Certificate known as Jiang Guo Yong (2004) Di 2600059 Hao issued by the People's Government of Wujiang City and dated 3rd June, 2004, the legally interested party in the land having a site area of 33,003 sq.m. is Suzhou Dazhi for a term till 3rd July, 2053 for industrial usage.

2. According to a Building Ownership Certificate known as Wu Fang Guan Zheng Song Ling Zi Di 01017533 Hao issued by the People's Government of Wujiang City, the legally interested party in the following buildings having a total gross floor area of 147,672.76 sq.m. is Suzhou Dazhi. The area breakdowns of the major buildings erected on the parcel of land mentioned in Note 1(i) above are as follows:

	Gross Floor Area
	(sq.m.)
(i) a single storey guard room (Block 1)	42.71
(ii) a single storey guard room (Block 2)	60.55
(iii) a 3-storey workshop (Block 3)	18,331.19
(iv) a 3-storey workshop (Block 4)	14,712.17
(v) a 3-storey senior staff quarters (Block 5)	3,947.72
(vi) a 2-storey workshop (Block 6)	12,435.27
(vii) a single storey electricity room (Block 7)	250.94
(viii) a 4-storey warehouse (Block 8)	4,774.14
(ix) a single storey office and electricity room (Block 9)	897.87
(x) a single storey electricity room (Block 10)	139.86
(xi) a single storey dangerous good warehouse (Block 11)	1,753.29
(xii) a 5-storey staff quarters (Block 12)	11,691.80
(xiii) a 3-storey workshop (Block 13)	12,712.61
(xiv) a 4-storey warehouse (Block 14)	4,774.14
(xv) a 6-storey staff quarters (Block 15)	30,819.96
(xvi) a 4-storey workshop (Block 16)	17,062.32
(xvii) a 4-storey workshop (Block 17)	13,226.20
(xviii) a single storey building (Block 18)	40.02

3. According to a mortgage agreement dated 11th March, 2005 and an Other Encumbrances Certificate, the land use rights of the land mentioned in Note 1(i) above and 18 various buildings and structures erected thereon having a total gross floor area of approximately 147,672.76 sq.m. are subject to a mortgage in favour of Bank of China Wujiang Branch for a term commencing from 14th April, 2005 and expiring on 10th December, 2005.

4. According to a Building Ownership Certificate known as Wu Fang Guan Zheng Song Ling Zi Di 01019659 Hao issued by the People's Government of Wujiang City, the legally interested party in the following buildings having a total gross floor area of approximately 85,630.65 sq.m. is Suzhou Dazhi. The area breakdowns for the major buildings and structures erected on the parcel of land mentioned in Note 1(ii) above are as follows:

	Gross Floor Area (sq.m.)
(i) a 6-storey staff quarters	29,678.28
(ii) a 4-storey warehouse	4,163.85
(iii) a 4-storey warehouse	4,163.85
(iv) a 4-storey workshop	22,826.66
(v) a 4-storey workshop	24,348.62
(vi) a 3-storey building	221.13
(vii) 4 various single storey buildings	228.26

5. According to 3 various mortgage agreements dated 31st August, 2004, 1st September, 2004 and 25th January, 2005, the land use rights of the land mentioned in Note 1(ii) above and the buildings erected thereon are subject to mortgage in favour of Agricultural Bank of China Wujiang City Branch for a term commencing from 31st August, 2004 to 30th August, 2006, 1st September, 2004 to 31st August, 2006 and 25th January, 2005 to 24th January, 2007, respectively.

6. According to the legal opinion as prepared by the Group's PRC legal adviser, the following opinions are noted:

- (i) Suzhou Dazhi is a wholly foreign owned enterprise established in the PRC with a valid Enterprise Legal Person Business License for operation from 29th September, 2002 to 28th September, 2052;
- (ii) Suzhou Dazhi is a wholly-owned subsidiary of the Company;
- (iii) Suzhou Dazhi has obtained the right to use the land and its improvements legally by way of land grant, and all the land premium has been paid. Suzhou Dazhi is the only legally interested party in the property and has the right to assign, lease or mortgage the property without the need to pay additional land premium subject to the mortgage as mentioned in Notes 3 and 5 above; and
- (iv) as confirmed by Suzhou Dazhi, save for the mortgage as mentioned in Notes 3 and 5 above, the property is free of other encumbrances.

			Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and tenure	Particulars of occupancy	
5. A factory complex occupied by Ju Teng Electronics (Shanghai) Co., Ltd. and erected on a parcel of land known as Song Kai III – 27 Hao and located at No. 255 Rong Xiang Road Songjiang Export Processing Zone Shanghai The PRC	<p>The property comprises a parcel of land having a site area of approximately 16,244.00 sq.m. with 8 various major buildings and structures erected thereon. The buildings and structures include a 4-storey office, three various workshops of 3 and 4-storey in height, and other single storey ancillary facilities having a total gross floor area of approximately 26,750.88 sq.m. They were completed in 2004 (see Note 4 below).</p> <p>The property is subject to a right to use the land commencing from 3rd December, 2003 and expiring on 2nd December, 2053 for industrial purpose (see Notes 1 and 2 below).</p>	The property is currently occupied by the Group for manufacturing, storage, ancillary office and other supporting purposes.	34,630,000 (100% interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land has been granted by the State to Ju Teng Electronics (Shanghai) Co., Ltd. (hereinafter referred to as “Ju Teng”) through a Contract for the Grant of State-owned Land Use Rights known as Hu Song Fang Di (2003) Chu Rang He Tong Di 177 Hao and its agreement for ancillary facilities both dated 26th September, 2003, the land use rights for a parcel of land having a site area of approximately 16,244 sq.m. was granted to Ju Teng at a land grant fee of RMB537,676 and land ancillary facilities charge of RMB2,150,706 for a term of 50 years for industrial usage.
2. According to a Shanghai Certificate of Real Estate Ownership known as Hu Fang Di Song Zi (2005) Di 012906 Hao issued by the Shanghai Housing and Land Resources Administration Bureau and dated 30th April, 2005, the legally interested party in a parcel of land having a site area of approximately 16,244.00 sq.m. is Ju Teng for a term commencing from 3rd December, 2003 and expiring on 2nd December, 2053 for industrial usage.
3. According to two various official receipts issued by the Shanghai Housing and Land Resources Administration Bureau, Ju Teng has paid all the land grant fee and land ancillary facilities charge.
4. According to the Shanghai Certificate of Real Estate Ownership as mentioned in Note 2 above, the legally interested party in various buildings having a total gross floor area of approximately 26,750.88 sq.m. is Ju Teng.

According to the information provided by the management of the Company, the area breakdowns of the major buildings and structures are as follows:

	Gross Floor Area
	(sq.m.)
(i) a 4-storey workshop and standard workshop	14,063.35
(ii) a 3-storey workshop and composite building	12,223.54
(iii) a single storey warehouse	203.10
(iv) a single storey electricity room	148.23
(v) a 2-storey guard room	98.35
(vi) a single storey guard room	14.31

5. According to the legal opinion as prepared by the Group's PRC legal adviser, the following opinions are noted:
- (i) Ju Teng is a wholly foreign owned enterprise established in the PRC with a valid Enterprise Legal Person Business License for operation from 7th June, 2002 to 6th June, 2032;
 - (ii) Ju Teng is a wholly-owned subsidiary of the Company;
 - (iii) According to a Certificate of Registrations of Real Estate of Shanghai Municipality dated 14th September, 2005, the buildings and structures of the property are subject to a mortgage in favour of Bank of Shanghai for a term commencing from 14th September, 2005 to 13th September, 2008;
 - (iv) Ju Teng has obtained the right to use the land and its improvements legally by way of land grant, and all the land premium has been paid. Ju Teng is the only legally interested party in the property and has the right to assign, lease or mortgage the property without the need to pay additional land premium and subject to the mortgage as mentioned in Note 5(iii) above; and
 - (v) as confirmed by Ju Teng, save for the mortgage as mentioned in Note 5(iii) above, the property is free of all encumbrances.

Group II – Properties held and occupied by the Group in Taiwan and valued on the basis of market-based evidence

Property	Description and tenure	Particulars of occupancy	Amount of valuations in existing state attributable to the Group as at 31st July, 2005
			HK\$
6. Level 1 of a composite building located at No. 283-2 Min An Road Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan Part of 178/14,300th undivided Shares of Min An Section Lot No. 0851-0000 (See Note 3 below)	The property comprises a commercial unit on the ground floor of a 7-storey (excluding a 2-storey basement carpark and penthouse) composite building which was completed in 1997. The gross floor area of the property is approximately 69.88 sq.m. plus a covered porch area of approximately 10.59 sq.m.	The property is currently occupied by the Group for office purpose. (See Note 2 below)	970,000 (100% interest)

Notes:

- The registered owner of the property is Gi Li Co., Ltd. (其立股份有限公司) (hereinafter referred to as “Gi Li”).
- The property together with Property 7 described below forming a single office unit.
- The property together with Property 7 described below are located on the land which occupies 178/14,300th undivided shares of Min An Section Lot No. 0851-0000.
- According to the legal opinion as prepared by the Group's Taiwan legal adviser, the following opinions are noted:
 - Gi Li is an enterprise established in Taiwan;
 - Gi Li is an indirect wholly-owned subsidiary of the Company;
 - Gi Li is the only legally interested party in the property and is protected by the Taiwan laws and regulations;
 - The Property is subject to a mortgage in favour of The Shanghai Commercial & Savings Bank Ltd.; and
 - Gi Li has the rights to assign, lease or mortgage the property without the need to obtain prior approval from relevant Taiwan government authorities.

			Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and tenure	Particulars of occupancy	
7. Level 1 of a composite building located at No. 283-3 Min An Road Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan Part of 178/14,300th undivided Shares of Min An Section Lot No. 0851-0000 (See Note 3 below)	<p>The property comprises a commercial unit on the ground floor of a 7-storey (excluding a 2-storey basement carpark and penthouse) composite building which was completed in 1997.</p> <p>The gross floor area of the property is approximately 71.11 sq.m. plus a covered porch area of approximately 10.59 sq.m.</p>	<p>The property is currently occupied by the Group for office purpose. (See Note 2 below)</p>	<p>980,000 (100% interest)</p>

Notes:

1. The registered owner of the property is Gi Li Co., Ltd. (其立股份有限公司) (hereinafter referred to as “Gi Li”).
2. The property together with Property 6 described above forming a single office unit.
3. The property together with Property 6 described above are located on the land which occupies 178/14,300th undivided shares of Min An Section Lot No. 0851-0000.
4. According to the legal opinion as prepared by the Group’s Taiwan legal adviser, the following opinions are noted:
 - (i) Gi Li is an enterprise established in Taiwan;
 - (ii) Gi Li is an indirect wholly-owned subsidiary of the Company;
 - (iii) Gi Li is the only legally interested party in the property and is protected by the Taiwan laws and regulations;
 - (iv) The Property is subject to a mortgage in favour of The Shanghai Commercial & Savings Bank Ltd.; and
 - (v) Gi Li has the rights to assign, lease or mortgage the property without the need to obtain prior approval from relevant Taiwan government authorities.

			Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and tenure	Particulars of occupancy	
8. Level 1 of a composite building located at No. 287-1 Min An Road and Car Parking Space No. 46 on Basement 1 Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan	The property comprises a commercial unit on the ground floor of an 8-storey (excluding a 2-storey basement carpark) composite building which was completed in 1997.	The property is currently occupied by the Group for office purpose. (See Note 2 below)	1,020,000 (100% interest)
Part of 186/14,300th undivided Shares of Min An Section Lot No. 0851-0000 (See Note 3 below)	Car Parking Space No. 46 is a covered private car parking space located on the first level of the basement carpark. The gross floor area of the property is approximately 68.43 sq.m. plus a covered porch area of approximately 10.60 sq.m.		

Notes:

1. The registered owner of the property is Gi Li Co., Ltd. (其立股份有限公司) (hereinafter referred to as “Gi Li”).
2. The property together with Property 9 described below forming a single office unit.
3. The property together with Property 9 described below are located on the land which occupies 186/14,300th undivided shares of Min An Section Lot No. 0851-0000.
4. According to the legal opinion as prepared by the Group's Taiwan legal adviser, the following opinions are noted:

(i) Gi Li is an enterprise established in Taiwan;

(ii) Gi Li is an indirect wholly-owned subsidiary of the Company;

(iii) Gi Li is the only legally interested party in the property and is protected by the Taiwan laws and regulations;

(iv) The Property is subject to a mortgage in favour of The Shanghai Commercial & Savings Bank Ltd.; and

(v) Gi Li has the rights to assign, lease or mortgage the property without the need to obtain prior approval from relevant Taiwan government authorities.

			Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and tenure	Particulars of occupancy	
9. Level 1 of a composite building located at No. 287-2 Min An Road and Car Parking Space Nos. 47 and 48 on Basement 1 Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan	The property comprises a commercial unit on the ground floor of an 8-storey (excluding a 2-storey basement carpark) composite building which was completed in 1997. Car Parking Space Nos. 47 and 48 are two covered private car parking spaces located on the first level of the basement carpark.	The property is currently occupied by the Group for office purpose. (See Note 2 below)	1,090,000 (100% interest)
Part of 186/14,300th undivided Shares of Min An Section Lot No. 0851-0000 (See Note 3 below)	The gross floor area of the property is approximately 68.43 sq.m. plus a porch of approximately 10.60 sq.m.		

Notes:

1. The registered owner of the property is Gi Li Co., Ltd. (其立股份有限公司) (hereinafter referred to as "Gi Li").
2. The property together with Property 8 described above forming a single office unit.
3. The property together with Property 8 described above are located on the land which occupies 186/14,300th undivided shares of Min An Section Lot No. 0851-0000).
4. According to the legal opinion as prepared by the Group's Taiwan legal adviser, the following opinions are noted:

(i) Gi Li is an enterprise established in Taiwan;

(ii) Gi Li is an indirect wholly-owned subsidiary of the Company;

(iii) Gi Li is the only legally interested party in the property and is protected by the Taiwan laws and regulations;

(iv) The Property is subject to a mortgage in favour of The Shanghai Commercial & Savings Bank Ltd.; and

(v) Gi Li has the rights to assign, lease or mortgage the property without the need to obtain prior approval from relevant Taiwan government authorities.

Group III – Properties rented by the Group in the PRC and valued on the basis of market-based evidence

		Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and occupancy	
10. House No. C18 of Winsor Park Regent on the Park No. 318 Chang Jiang Road Suzhou City Jiang Su Province The PRC	<p>The property comprises a 2-storey semi-detached garden house which was completed in 2002.</p> <p>The gross floor area of the property is approximately 185.8 sq.m.</p> <p>The property is leased to the Group for a term of 3 years commencing from 20th March, 2004 and expiring on 19th March, 2007 at a monthly rental of RMB39,744 inclusive of furniture and fittings, management fee, club house fee and utilities charges for residential purpose.</p> <p>The property is currently occupied by the Group for staff quarters.</p>	No commercial value

Notes:

1. The lessor of the property is Xu Qiu Ying.
2. The lessee of the property Everyday Computer Components (Suzhou) Co., Ltd..
3. According to the legal opinion as prepared by the Group's PRC legal adviser, the tenancy agreement is legal and enforceable. However, as the tenancy agreement has not been registered with the relevant local authorities, the tenancy agreement cannot be enforceable against third parties. Third party having the requisite authority may have the right to request the lessee to vacate the property, in which case the lessee is entitled to claim against the relevant landlord for any loss resulting from such re-possession. Once the necessary procedures have been complied with, the said tenancy agreement will protect the relationship between the lessor and the lessee against another.
4. As the property is occupied by the Group for staff quarters purpose only, and the Group will be entitled to claim against the relevant landlord for any wrongful eviction, the management of the Company does not consider that failure to comply with the registration procedures can pose any risk to the business operation and financial position of the Group.

		Amount of valuations in its existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and occupancy	
11. A building and its ancillary facilities located at No. 669 Mei Neng Da Road Songjiang District Industrial Zone Shanghai The PRC	<p>The property comprises a 2-storey building, a single storey guard room and 3 various single storey ancillary facilities including canteen, boiler room and toilet which were completed in 2004.</p> <p>The gross floor area of the 2-storey building, the guard room and the ancillary facilities are approximately 1,791.40 sq.m., 9 sq.m. and 108.60 sq.m., respectively.</p> <p>The property is leased to the Group for a term of 3 years commencing from 15th August, 2004 and expiring on 14th August, 2007 at a monthly rental of RMB28,500 inclusive of the rental of the land. The lessee is responsible for the management of the property. According to the lease agreement, the lessor agrees the lessee to use the property as staff quarters (see <i>Notes 3 and 4 below</i>).</p> <p>The property is currently occupied by the Group as staff quarters.</p>	No commercial value

Notes:

- The lessor of the property is 上海雲正工貿有限公司 (no English translation is available).
- The lessee of the property is Ju Teng Electronics (Shanghai) Co., Ltd..
- According to an agreement dated 23rd August, 2004, the lessor allowed the lessee to sub-lease the property to a third party.
- According to an agreement dated 24th August, 2004 made between the lessee and 達豐 (上海) 電腦有限公司 (no English translation is available), an agreement dated 1st January, 2005 made between the lessee, 達豐 (上海) 電腦有限公司 and Tech-Yeh (Shanghai) Computer Co., Ltd., and an agreement dated 26th September, 2005 made between the lessor, the lessee and Tech-Yeh (Shanghai) Computer Co., Ltd., the lessee has sub-leased portion of the property to Tech-Yeh (Shanghai) Computer Co., Ltd. at a unit monthly rental of RMB120 per person (inclusive of utilities charges) until 26th September, 2006 for staff quarters usage.
- According to the legal opinion as prepared by the Group's PRC legal adviser, based on the existing limited information, the PRC legal adviser is unable to verify whether the lessor is the legally interested party in the property and whether the lease agreement has been registered, and therefore unable to opine as to whether the lease agreement or the Group's right to use the property is subject to the protection of the PRC laws.

		Amount of valuations in its existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and occupancy	
12. Three various buildings and some ancillary facilities located at No. 1155 Min Jiang Road Songjiang District Industrial Zone Shanghai The PRC	<p>The property comprises a 4-storey building, 2 various 2-storey building, a single storey guard room and various single storey ancillary facilities including canteen, boiler room and toilet which were completed in 2004.</p> <p>The total gross floor area of the 4-storey building, the 2 various 2-storey building and the guard room is approximately 9,261 sq.m. and the total gross floor area of the ancillary facilities is approximately 880 sq.m.</p> <p>The property is leased to the Group for a term of 5 years commencing from 16th August, 2004 and expiring on 15th August, 2009 with a rent free period of 45 days at a daily rental of RMB0.5 per sq.m. (excluding the ancillary facilities) and at a daily rental of RMB0.3 per sq.m. payable from 1st April, 2005 for the ancillary facilities. The lessee is responsible for the management of the property. According to the lease agreement, the lessor agrees the lessee to use the property as staff quarters.</p> <p>The property is currently occupied by the Group as staff quarters.</p>	No commercial value

Notes:

- The lessor of the property is 上海得道建筑工程有限公司 (no English translation is available).
- The lessee of the property is Ju Teng Electronics (Shanghai) Co., Ltd..
- According to the legal opinion as prepared by the Group's PRC legal adviser, the tenancy agreement is legal and enforceable. However, as the tenancy agreement has not been registered with the relevant local authorities, the tenancy agreement cannot be enforceable against third parties. Third party having the requisite authority may have the right to request the lessee to vacate the property, in which case the lessee is entitled to claim against the relevant landlord for any loss resulting from such re-possession. Once the necessary procedures have been complied with, the said tenancy agreement will protect the relationship between the lessor and the lessee against another. Moreover, since there is no available document to show that an application for planning permission has been made in respect of the construction of the ancillary facilities buildings with a total gross floor area of approximately 880 sq.m., the Group may be requested by the relevant local authorities to demolish the ancillary facilities buildings or to pay a penalty ranging from 20 per cent. to 100 per cent. of its construction cost (according to the information provided by the Group, the construction cost was RMB936,637).

		Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and occupancy	
13. The whole of No. 6 Standard Factory Building Alley 8 Rong Jiang Road Songjiang Export Processing Zone Shanghai The PRC	<p>The property comprises a 2-storey industrial building and various ancillary facilities which was completed in 2002.</p> <p>The gross floor area of the industrial building and ancillary facilities are approximately 4,718 sq.m. and 890 sq.m., respectively.</p> <p>The property is leased to the Group for a term of 3 years commencing from 1st August, 2005 and expiring on 31st July, 2008 at a rental of US\$31,209.57 per quarter for industrial building and RMB26,700 per quarter for the ancillary facilities exclusive of management fee. The lessee has a right to renew the agreement by serving a written request at least 3 month in advance before the expiry of the lease.</p> <p>The property is currently occupied by the Group for manufacturing, storage and office purposes.</p>	No commercial value

Notes:

1. The lessor of the property is 上海留方置業發展有限公司 (no English translation is available).
2. The lessee of the property Ju Teng Electronics (Shanghai) Co., Ltd..
3. According to the legal opinion as prepared by the Group's PRC legal adviser, the tenancy agreement is legal and enforceable. However, as the tenancy agreement has not been registered with the relevant local authorities, the tenancy agreement cannot be enforceable against third parties. Third party having the requisite authority may have the right to request the lessee to vacate the property, in which case the lessee is entitled to claim against the relevant landlord for any loss resulting from such re-possession. Once the necessary procedures have been complied with, the said tenancy agreement will protect the relationship between the lessor and the lessee against another.
4. According to the information obtained from the management of the Company, the following opinions are noted:
 - (i) The property is principally engaged in the dust-free spray painting for notebook computer casings only;
 - (ii) Upon expiry of the tenancy agreement in respect of the property or in the event that the Group is otherwise evicted from the property, the two production plants situated at Wu Jiang City, Jiang Su Province, the PRC (Properties 1 and 4 as mentioned above) can take up the production currently undertaken by the lessee in the property and therefore the management of the Company does not expect any significant disruption to the Group's operation or any loss of income arising thereof; and
 - (iii) A production facility with a total gross floor area of approximately 26,750.88 sq.m. (Property 5 as mentioned above) was completed in 2004. After completion of the construction and before the expiry of the tenancy agreement in respect of the property, the operations in the property will be relocated to the new production plant. The management of the Company does not expect that there will be any disruption to the business operations arising from such relocation.

		Amount of valuations in its existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and occupancy	
14. Flat 902 No. 277, Block 79 Lu Zhou Hua Ting Alley 888 Si Xian Road (previously known as Dong Mei Road) Songjiang District Shanghai The PRC	<p>The property comprises a residential unit on Level 9 of an 12-storey residential building which was completed in 2003.</p> <p>The property has a gross floor area of approximately 190.61 sq.m.</p> <p>The property together with certain electrical appliances and furniture is leased to the Group for a term of 1 year commencing from 1st August, 2005 and expiring on 31st July, 2006 at a monthly rental of RMB5,000 inclusive of tax but exclusive of management fee and utilities charges for residential purpose.</p> <p>The property is currently occupied by the Group as staff quarters.</p>	No commercial value

Notes:

1. The lessor of the property is Zhang Qi.
2. The lessee of the property is Ju Teng Electronics (Shanghai) Co., Ltd..
3. According to the legal opinion as prepared by the Group's PRC legal adviser, the tenancy agreement is legal and enforceable. However, as the tenancy agreement has not been registered with the relevant local authorities, the tenancy agreement cannot be enforceable against third parties. Third party having the requisite authority may have the right to request the lessee to vacate the property, in which case the lessee is entitled to claim against the relevant landlord for any loss resulting from such re-possession. Once the necessary procedures have been complied with, the said tenancy agreement will protect the relationship between the lessor and the lessee against another.

		Amount of valuations in its existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and occupancy	
15. Flat 1002 No. 277, Block 79 Lu Zhou Hua Ting Alley 888 Si Xian Road (previously known as Dong Mei Road) Songjiang District Shanghai The PRC	<p>The property comprises a residential unit on Level 10 of an 12-storey residential building which was completed in 2003.</p> <p>The property has a gross floor area of approximately 190.61 sq.m.</p> <p>The property together with certain electrical appliances and furniture is leased to the Group for a term of 1 year commencing from 1st August, 2005 and expiring on 31st July, 2006 at a monthly rental of RMB5,000 inclusive of tax but exclusive of management fee and utilities charges for residential purpose.</p> <p>The property is currently occupied by the Group as staff quarters.</p>	No commercial value

Notes:

1.
- The lessor of the property is Zhang Qi, an authorized agent of the owner Zhu Yu Mei.
2.
- The lessee of the property is Ju Teng Electronics (Shanghai) Co., Ltd..
3.
- According to the legal opinion as prepared by the Group's PRC legal adviser, the tenancy agreement is legal and enforceable. However, as the tenancy agreement has not been registered with the relevant local authorities, the tenancy agreement cannot be enforceable against third parties. Third party having the requisite authority may have the right to request the lessee to vacate the property, in which case the lessee is entitled to claim against the relevant landlord for any loss resulting from such re-possession. Once the necessary procedures have been complied with, the said tenancy agreement will protect the relationship between the lessor and the lessee against another.

Group IV – Properties rented by the Group in Taiwan and valued on the basis of market-based evidence

		Amount of valuations in its existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and occupancy	
16. The whole of the Level 3 of a composite building located at No. 2, Lane 83 Cheng Gong Road Hsin Chuang City Taipei County Taiwan	<p>The property comprises a residential unit on the Level 3 of a 5-storey composite building which was completed in 1988.</p> <p>The gross floor area of the property is approximately 108.41 sq.m.</p> <p>The property is leased to the Group for a term commencing from 1st January, 2005 and expiring on 31st December, 2005 at a monthly rental of NT\$11,000.</p> <p>The property is currently occupied by the Group as staff quarters.</p>	No commercial value

Notes:

1. According to the provided copy of the tenancy agreement, the lessor of the property is Cheng Li Yu and the lessee of the property is Gi Li Co., Ltd. (其立股份有限公司).
2. According to the legal opinion as prepared by the Group's Taiwan legal adviser, the following opinions are noted:

(i) The lessor is the sole legal owner of the property and has the right to lease out the property; and

(ii) The tenancy agreement is legal and binding, and the Group's right under the tenancy agreement is protected by the relevant Taiwan laws.

		Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and occupancy	
17. Penthouse of a composite building located at No. 283-2 Min An Road Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan	<p>The property comprises a penthouse on the top level of a 7-storey (excluding a 2-storey basement carpark and the penthouse) composite building which was completed in 1997.</p> <p>The gross floor area of the property is approximately 36.24 sq.m. plus a balcony area of approximately 9.72 sq.m.</p> <p>The property is leased to the Group for a renewal term commencing from 1st January, 2005 and expiring on 31st December, 2005 at a monthly rental of NT\$6,000.</p> <p>The property is currently occupied by the Group as staff quarters.</p>	No commercial value

Notes:

1.

According to the provided copy of the tenancy agreement, the lessor of the property is Lin Mei Li and the lessee of the property Gi Li Co., Ltd. (其立股份有限公司).
2.

According to the legal opinion as prepared by the Group's Taiwan legal adviser, the following opinions are noted:

(i)

The lessor is the sole legal owner of the property and has the right to lease out the property; and

(ii)

The tenancy agreement is legal and binding, and the Group's right under the tenancy agreement is protected by the relevant Taiwan laws.

		Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and occupancy	
18. Level 1 of a composite building located at No. 283-7 Min An Road Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan	<p>The property comprises a commercial unit on the ground floor of a 7-storey (excluding a 2-storey basement carpark and the penthouse) composite building which was completed in 1997.</p> <p>The gross floor area of the property is approximately 92.44 sq.m.</p> <p>The property is leased to the Group for a term of 1 year commencing from 20th August, 2005 and expiring on 19th August, 2006 at a monthly rental of NT\$22,222 (inclusive of rental income tax of NT\$2,222).</p> <p>The property is currently occupied by the Group for office purpose.</p>	No commercial value

Notes:

1.

According to the provided copy of the tenancy agreement, the lessor of the property is Zhao Zhong Ren and the lessee of the property Gi Li Co., Ltd. (其立股份有限公司).
2.

According to the legal opinion as prepared by the Group's Taiwan legal adviser, the following opinions are noted:

(i)

The lessor is sole legal owner of the property and has the right to lease out the property; and

(ii)

The tenancy agreement is legal and binding, and the Group's right under the tenancy agreement is protected by the relevant Taiwan laws.

		Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and occupancy	
19. Level 1 of a composite building located at No. 283-8 Min An Road Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan	<p>The property comprises a commercial unit on the ground floor of a 7-storey (excluding a 2-storey basement carpark and the penthouse) composite building which was completed in 1997.</p> <p>The gross floor area of the property is approximately 93.63 sq.m.</p> <p>The property is leased to the Group for a term of 1 year commencing from 20th August, 2005 and expiring on 19th August, 2006 at a monthly rental of NT\$27,778 (inclusive of rental income tax of NT\$2,778).</p> <p>The property is currently occupied by the Group for office purpose.</p>	No commercial value

Notes:

1.

According to the provided copy of the tenancy agreement, the lessor of the property is Zhao Ling Fa and the lessee of the property Gi Li Co., Ltd. (其立股份有限公司).
2.

According to the legal opinion as prepared by the Group's Taiwan legal adviser, the following opinions are noted:

(i)

The lessor is the sole legal owner of the property and has the right to lease out the property; and

(ii)

The tenancy agreement is legal and binding, and the Group's right under the tenancy agreement is protected by the relevant Taiwan laws.

		Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and occupancy	
20. Level 1 of a composite building located at No. 287 Min An Road Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan	<p>The property comprises a commercial unit on the ground floor of an 8-storey (excluding a 2-storey basement carpark) composite building which was completed in 1997.</p> <p>The gross floor area of the property is approximately 72.98 sq.m.</p> <p>The property is leased to the Group for a term of 1 year commencing from 1st September, 2005 and expiring on 31st August, 2006 at a monthly rental of NT\$20,000.</p> <p>The property is currently occupied by the Group for office purpose.</p>	No commercial value

Notes:

1.

According to the provided copy of the tenancy agreement, the lessor of the property is Lin Mei Li and the lessee of the property is Gi Li Co., Ltd. (其立股份有限公司).
2.

According to the legal opinion as prepared by the Group's Taiwan legal adviser, the following opinions are noted:

(i)

The lessor is the sole legal owner of the property and has the right to lease out the property; and

(ii)

The tenancy agreement is legal and binding, and the Group's right under the tenancy agreement is protected by the relevant Taiwan laws.

		Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and occupancy	
21. A residential unit on Level 4 of a composite building located at No. 312 Min An Road Hsin Chuang City Taipei County Taiwan	<p>The property comprises a residential unit on the Level 4 of a 12-storey (excluding a 2-storey basement carpark) composite building which was completed in 2004.</p> <p>The gross floor area of the property is approximately 66.00 sq.m.</p> <p>The property is leased to the Group for a term commencing from 1st March, 2005 and expiring on 28th February, 2006 at a monthly rental of NT\$7,000.</p> <p>The property is currently occupied by the Group as staff quarters.</p>	No commercial value

Notes:

1.

According to the provided copy of the tenancy agreement, the lessor of the property is Lin Mei Li and the lessee of the property is Gi Li Co., Ltd. (其立股份有限公司).
2.

According to the legal opinion as prepared by the Group's Taiwan legal adviser, based on the existing limited information, they are unable to verify whether the lessor is the sole legal owner of the property and whether the actual use of the property complies with the approved usage.

		Amount of valuations in existing state attributable to the Group as at 31st July, 2005 HK\$
Property	Description and occupancy	
22. A single storey temporary warehouse located at Nos. 12-8 and 12-9 Qiong Lin Nan Road Hsin Chuang City Taipei County Taiwan	<p>The property comprises a single storey temporary steel frame structure which was completed in 1990's.</p> <p>The covered area of the property is approximately 500 sq.m.</p> <p>The property is leased to the Group for a renewal term commencing from 1st April, 2005 and expiring on 31st March, 2006 at a monthly rental of NT\$120,000.</p> <p>The property is currently occupied by the Group as a warehouse.</p>	No commercial value

Notes:

1.

According to the provided copy of the tenancy agreement, the lessor of the property is Huang Hui Fu and the lessee of the property Gi Li Co., Ltd. (其立股份有限公司).
2.

According to the legal opinion as prepared by the Group's Taiwan legal adviser, based on the existing limited information, they are unable to verify whether the lessor is the sole legal owner of the property and whether the actual use of the property is complies with the approved usage.

Property	Description and occupancy	Amount of valuations in existing state attributable to the Group as at 31st July, 2005
		HK\$
23. A single storey temporary warehouse located at No. 61-14 Qiong Lin Nan Road Hsin Chuang City Taipei County Taiwan	<p>The property comprises a single storey temporary steel frame structure which was completed in 1990's.</p> <p>The covered area of the property is approximately 500 sq.m.</p> <p>The property is leased to the Group for a renewal term commencing from 23rd February, 2005 and expiring on 22nd February, 2006 at a monthly rental of NT\$60,000.</p> <p>The property is currently occupied by the Group as a warehouse.</p>	No commercial value

Notes:

- According to the provided copy of the tenancy agreement, the lessor of the property is Xu Shu Cong and the lessee of the property Gi Li Co., Ltd. (其立股份有限公司).
- According to the legal opinion as prepared by the Group's Taiwan legal adviser, based on the existing limited information, they are unable to verify whether the lessor is the sole legal owner of the property and whether the actual use of the property is complies with the approved usage.

Property	Description and occupancy	Amount of valuations in existing state attributable to the Group as at 31st July, 2005
		HK\$
24. Car Parking Space Nos. 55, 69 and 97 on Basement 1 No. 287-7 Min An Road Phase II of Bi Yao Jing Cheng Hsin Chuang City Taipei County Taiwan	<p>The property comprises three covered private carparking spaces on the first level of the basement carpark which was completed in 1997.</p> <p>The property is leased to the Group for a term commencing from 1st January, 2005 and expiring on 31st December, 2005 at a monthly rental of NT\$3,000 for each car parking space.</p> <p>The property is currently occupied by the Group for car parking purposes.</p>	No commercial value

Notes:

- According to the provided copy of the tenancy agreement, the lessor of the property is Zhao Shi Han and the lessee of the property Gi Li Co., Ltd. (其立股份有限公司).
- According to the legal opinion as prepared by the Group's Taiwan legal adviser, based on the existing limited information, they are unable to verify whether the lessor is the sole legal owner of the property and whether the actual use of the property is complies with the approved usage.

Group V –

Property rented by the Group in Hong Kong and valued on the basis of market – based evidence

Property	Description and occupancy	Amount of valuations in existing state attributable to the Group as at 31st July, 2005
		HK\$
25. Suites 3311-3312 on 33rd Floor Jardine House No. 1 Connaught Place Central Hong Kong	<p>The property comprises two adjoining office units on the 33rd floor of a 53-storeyed commercial building (including the basement and mezzanine floor) which was completed in 1974.</p> <p>The lettable area of the property is approximately 1,108 sq.ft. (102.9 sq.m.)</p> <p>The property is rented to the Group commencing from 15th September, 2004 to 31st August, 2007 at a monthly rental of HK\$40,996 exclusive of rates, air-conditioning charges, management fees, cleaning service charges and other outgoings, and with a rent free period commencing from 15th September, 2004 to 14th February, 2005.</p> <p>The property is currently occupied by the Group for office purpose.</p>	No commercial value

Notes:

1.

The registered owner of the property is The Hongkong Land Property Company Limited.
2.

The tenant of the property is Grand Develop Investments Limited.

APPENDIX VI SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the memorandum and articles of association of our Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The memorandum of association provides that our Company's objects are unrestricted. The objects of our Company are set out in Clause 3 of the memorandum of association which is available for inspection at the address and during the period specified in the paragraph headed "Documents available for inspection" in Appendix VIII to this prospectus. As an exempted company, our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The articles of association of our Company (the "Articles") were adopted on 17th June, 2005. The following is a summary of certain provisions of the Articles.

(a) Directors

(i) Power to allot and issue shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as our Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of our Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of our Company on such terms as they may from time to time determine.

All unissued shares in our Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

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(ii) *Power to dispose of the assets of our Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of our subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or relevant statutes of the Cayman Islands to be exercised or done by our Company in general meeting.

(iii) *Compensation or payments for loss of office*

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(iv) *Loans and the giving of security for loans to Directors*

Where the shares of our Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, the Company may not make, without the approval of, or ratification by, our Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred, for any business of our Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80% of the fair market value of such residence nor 5% of the consolidated net asset value of our Company as shown in our latest audited accounts, provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence or (iii) of any amount to, or in respect of a liability of, a company in which our Company has an equity interest, and the amount of such loan, or the liability assumed by our Company under such guarantee, indemnity or security, does not exceed our proportional interest in such company.

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- (v) *Financial assistance to purchase shares of our Company or our holding company*

There are no provisions in the Articles relating to the giving by our Company of financial assistance for the purchase, subscription or other acquisition of shares of our Company or of our holding company. The law on this area is summarised in paragraph 4(b) below.

- (vi) *Disclosure of interests in contracts with our Company or any of our subsidiaries*

A Director may hold any other office or place of profit with our Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with our Company or any other company in which our Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other

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benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If, to the knowledge of a Director, he or any of his associates is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associate(s) then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his associates is to his knowledge materially interested, and if he does so his vote will not be counted, but this prohibition will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to the Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of our Company;
- (bb) any contract or arrangement for the giving by our Company of any security to a third party in respect of a debt or obligation of our Company or any company in which the Company has an interest for which the Director or his associate(s) has himself/ themselves guaranteed or secured in whole or in part;
- (cc) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of our Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director or his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;

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- (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by our Company for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
- (ee) any contract or arrangement in which the Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of our Company and/or his being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (ff) any contract or arrangement concerning any company in which the Director or his associate(s) is/are interested directly or indirectly whether as an officer or an executive or a member, other than a company in which the Director or his associate(s) own 5% or more of the voting equity capital or voting rights of any class of shares of such company (or of any third company through which his/their interest is derived), excluding shares which carry no voting rights at general meetings and no or nugatory dividend and return of capital rights, and excluding shares held directly or indirectly through our Company;
- (gg) any proposal or arrangement for the benefit of employees of our Company or its subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of our Company or of any of our subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of our Company or any of its subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;

- (hh) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by our Company to, or for the benefit of, the employees of our Company or our subsidiaries under which the Director or his associate(s) may benefit; and
 - (ii) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to the Articles.
- (vii) *Remuneration*

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in our Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing, the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of our Company may be fixed from time to time by the Directors and may be by way of salary, commission or

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participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of our Company, or of any company which is a subsidiary of our Company, or is allied or associated with our Company or with any such subsidiary company, or who are or were at any time directors or officers of our Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in our Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) *Retirement, appointment and removal*

At each annual general meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest but not exceeding one third) will retire from office. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

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The number of Directors shall not be fewer than one. A Director may be removed by a special resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and our Company). Our Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of our Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

(ix) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: The provisions summarised above, in common with the Articles in general, may be varied with the sanction of a special resolution of our Company.

(x) *Qualification shares*

Directors of our Company are not required under the Articles to hold any qualification shares.

(xi) *Indemnity to Directors*

The Articles contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The memorandum of association of our Company may be altered by our Company in general meeting. The Articles may also be amended by our Company in general meeting. As more fully described in paragraph 3 below, the Articles provide that, subject to certain exceptions, a special resolution is required to alter the memorandum of association, to approve any alteration to the Articles or to change the name of our Company.

(c) Alterations of capital

Our Company may from time to time by ordinary resolution:

- (i) increase our share capital;
- (ii) consolidate or divide all or any of our share capital into shares of larger or smaller amount than our existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and

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so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;

- (iii) divide our shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of our share capital by the amount of the shares so cancelled;
- (v) sub-divide our shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares;
- (vi) change the currency of denomination of our share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

Our Company may by special resolution reduce our issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. The Company may apply its share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions — majority required

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or by proxy, at a general meeting of which not less than 21 days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, at all times while any part of the issued capital of our Company remains listed on the Stock Exchange, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 days' notice has been given.

(f) Voting rights and right to demand a poll

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange,

where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (as defined in the Articles) (or its nominees), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by (i) the Chairman of the meeting; or (ii) by at least three members present in person or by proxy (or, in the case of a member being a corporation, by its duly authorised representative) for the time being entitled to vote at the meeting; or (iii) by any member or members present in person or by proxy (or, in the case of a member being a corporation, by its duly authorised representative) and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (iv) by a member or members present in person or by proxy (or, in the case of a member being a corporation, by its duly authorised representative) and holding shares in our Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Where a member is a clearing house (as defined in the Articles) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of our Company or at any meeting of any class of members provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of our Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of our Company are listed with the permission of our Company.

(h) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by law or necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts are to be kept at the principal office of our Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by our Company in general meeting.

The Directors shall from time to time cause to be prepared and laid before our Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in our Company are listed on the Stock Exchange, the accounts of our Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of our Company shall be signed on behalf of the Directors by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before our Company at our annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, our Company and every other person entitled to receive notices of general meetings of our Company under the Companies Law or of the Articles. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtained all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be

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deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from our Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of our Company and the directors' report thereon may, if he so requires by notice in writing served on our Company, demand that our Company send to him, in addition to a summary financial statement, a complete printed copy of our Company's annual financial statement and the director' report thereon. If all or any of the shares or debentures of our Company are for the time being (with the consent of our Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of our Company at each annual general meeting, but in respect of any particular year, our Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, an annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by giving at least 21 days' notice in writing and any other extraordinary general meeting shall be called by giving at least 14 days' notice in writing (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the place, the day and the hour of meeting and, in the case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in the Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf

of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which our Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with our Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reason(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for our Company to purchase our own shares

The Articles provide that the power of our Company to purchase or otherwise acquire our shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) Power of any subsidiary to own securities in our Company

There are no provisions in the Articles relating to ownership of securities in our Company by a subsidiary.

(m) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. Our Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

Our Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared or remitted may be invested or otherwise made use of by the Directors for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to our Company and, in the case where any of the same are securities in our Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company or a meeting of the holders of any class of shares in our Company is entitled to appoint another person as his proxy to attend and vote on a poll instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of our Company or at a class meeting. At any general meeting where voting is by a show of hands or by poll, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of our Company.

A proxy shall be entitled to exercise the same power on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint any person as its representative to attend and vote on its behalf. A corporate member represented by its representative is deemed to be present in person at the relevant meeting and its representative may vote on a show of hands and on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all moneys which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent. per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of our Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respects as if our Company were incorporated under and is subject to the Companies Ordinance.

(r) Inspection of register of Directors

There are no provisions in the Articles relating to the inspection of the register of Directors and Officers of our Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(t) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of our Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of our Company must be passed by way of a special resolution.

If our Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If our Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of our Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

Our Company may sell the shares of any member if: (i) dividends or other distributions have been declared by our Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) our Company has published an advertisement of our intention to sell such shares in English and in Chinese in one leading English

and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of our Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) our Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) our Company has notified the stock exchange on which the ordinary share capital of our Company is listed of our intention to sell such shares. The net proceeds of any such sale will belong to our Company and upon the receipt of such net proceeds by our Company, our Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

Our Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of our Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder”.

(x) Other provisions

The Articles provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which our Company may issue after the date of this prospectus shall remain exercisable and our Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

Subject to the rights of our Company set out in paragraph 2(c) above to amend our capital by ordinary resolution, the memorandum of association of our Company may be altered by our Company by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the memorandum of association (subject as provided above) or the Articles or to change the name of our Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of our Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of 21 clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

4. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine, including but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;

APPENDIX VI SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (iii) in redeeming or purchasing its shares as provided in the Companies Law;
- (iv) in writing off:
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (v) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances, be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of association, issue redeemable shares and purchase its own shares, including any redeemable shares. Purchases and redemptions may only be effected out of the profits of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised

by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. The shares so purchased or redeemed will be treated as cancelled and the company's issued, but not its authorised, capital will be diminished accordingly.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a class action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

APPENDIX VI SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, the Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, the Company, for a period of twenty years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Cayman Islands or elsewhere and that dividends of the Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

(l) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

APPENDIX VI SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum of association expires, or the event occurs on the occurrence of which the memorandum of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

5. GENERAL

Conyers Dill & Pearman, our legal advisers on Cayman Islands law, have sent to us a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VIII to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Our incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 12th July, 2004 with an authorised share capital of HK\$5,260,000 divided into 52,600,000 Shares. On 15th July, 2004, one Share was allotted and issued fully paid by us to Codan Trust Company (Cayman) Limited, which was transferred to Mr. Cheng Li-Yu on the same date.

2. Changes in our share capital*(a) Increase in authorised share capital*

The authorised share capital of our Company has been conditionally increased to HK\$200 million by the creation of further 1,947.4 million Shares pursuant to a resolution passed by all Shareholders on 6 October 2005 and subject to the conditions contained therein.

Immediately following completion of the Share Offer and the Capitalisation Issue but not taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, the authorised share capital of the Company will be HK\$200 million divided into 2,000 million Shares of which 1,000 million Shares will be issued fully paid or credited as fully paid, and 1,000 million Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option, the exercise of any options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs 1 and 3 of this Appendix, there has been no alteration in our share capital since our incorporation.

(b) Founder shares

We have no founder shares, management shares or deferred shares.

3. Resolutions in writing of all Shareholders passed on 17th June, 2005 and 6th October, 2005

Pursuant to the resolutions in writing passed by all Shareholders on 17th June, 2005 and 6th October, 2005:

- (a) we adopted the new articles of association;
- (b) we adopted the rules of the Pre-IPO Share Option Scheme, the principal terms of which are set out in paragraph 13(A) of this Appendix, and the Directors were authorised to grant options to subscribe for Shares thereunder and, conditional on the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme on or before the date falling 30 days after the date of this prospectus, to allot, issue and deal with Shares pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme;
- (c) we adopted the rules of the Share Award Plan, the principal terms of which are set out in paragraph 14 of this Appendix, and the Directors were authorised to take all such steps as may be necessary or desirable to implement the Share Award Plan;
- (d) conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, on the execution and delivery of the International Placing Underwriting Agreement on or before the date as prescribed in this prospectus, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the authorised share capital was increased from HK\$5.26 million to HK\$200 million by the creation of a further 1,947.4 million Shares;
 - (ii) the Share Offer and the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;

- (iii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 13(B) of this Appendix, were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
- (iv) conditional on the share premium account of our Company being credited as a result of the Share Offer, the Directors were authorised to capitalise HK\$68,740,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 687,400,000 Shares for allotment and issue to Shareholders whose names appear on the register of members of our Company at the close of business on 6th October, 2005 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in our Company so that the Shares allotted and issued should rank *pari passu* in all respects with the then existing issued Shares;
- (v) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights, scrip dividend schemes or similar arrangements in accordance with the articles of association of our Company, or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme or the Pre-IPO Share Option Scheme, or under the Share Offer or the Capitalisation Issue, or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue, and (bb) the nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (vi) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the articles of association of our Company or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to the Directors as set out in this sub-paragraph (v), whichever occurs first; and

- (vi) a general unconditional mandate (the “Repurchase Mandate”) was given to the Directors to exercise all powers of our Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the articles of association of our Company or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders revoking or varying the authority given to the Directors as set out in this sub-paragraph (vi), whichever occurs first.

4. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group’s structure in preparation for the listing of the Shares on the Main Board. The reorganisation involved the transfer to our Company by Extrawell, Southern Asia, Jiu Liang International Limited, Ace World Investments Limited, Elite Services Business Limited, Finance Advance Limited, Pan Yu Ventures Limited, Prosper Sino Limited, Worldstar Holding Limited, and Willsley Capital Co., Ltd. of an aggregate of 52,600,000 shares of US\$1 each, being the entire issued share capital of Best Alliance, the intermediate holding company of our Group, in consideration of and in exchange for which our Company allotted and issued, credited as fully paid, an aggregate of 52,599,999 new Shares as to 12,956,814 Shares to Extrawell, 28,144,371 Shares to Southern Asia, 952,881 Shares to Jiu Liang International Limited, 1,905,761 Shares to Ace World Investments Limited, 2,180,339 Shares to Elite Services Business Limited, 492,172 Shares to Finance Advance Limited, 775,171 Shares to Pan Yu Ventures Limited, 1,063,342 Shares to Prosper Sino Limited, 317,627 Shares to Worldstar Holding Limited and 3,811,521 Shares to Willsley Capital Co., Ltd. On the same day, Mr. Cheng Li-Yu transferred to Southern Asia the one Share then owned by him at nil consideration.

In addition to the transfer of shares in Best Alliance referred to above, our Group also underwent the following corporate restructuring:

- (a) on 11th April, 2003, Ace World Investments Limited, a passive investor, subscribed for and was allotted 600,000 shares of US\$1 each in Giant Glory at a cash consideration of US\$3 million;

- (b) on 15th August, 2003, Willsley Capital Co., Ltd., a passive investor, entered into a subscription agreement with Giant Glory for the subscription thereby of 1,200,000 shares of US\$1 each in the share capital of Giant Glory at a cash consideration of US\$6 million, the completion of which took place on 29th January, 2004;
- (c) on 15th August, 2003, Ms. Huang Shu-Chin, a passive investor, entered into a subscription agreement with Giant Glory for the subscription thereby (or as she may direct) of 100,000 shares of US\$1 each in the share capital of Giant Glory at a cash consideration of US\$500,000, the completion of which took place on 29th January 2004 whereby these 100,000 shares were allotted and issued to Worldstar Holding Limited as per Ms. Huang Shu-Chin's direction;
- (d) as an intra-group corporate restructuring, on 1st September, 2003:
 - (i) Jiu De International Limited transferred 12,800,000 shares of US\$1 each in Jiu Ding International Limited, being its entire issued share capital, to Giant Glory at a cash consideration of US\$12,800,000;
 - (ii) Sincere Joy Corporation transferred 50,000 shares of US\$1 each in Applied Business Company Inc., being its entire issued share capital, to Giant Glory at a cash consideration of US\$50,000; and
 - (iii) Tri-great International Limited transferred 50,000 shares of US\$1 each in Ican Business Limited, being its entire issued share capital, to Giant Glory at a cash consideration of US\$50,000;
- (e) on 13th October, 2003, Giant Glory entered into a share purchase agreement with Mr. Cheng Li-Yu, Mr. Cheng Li-Yen, Mr. Huang Kuo-Kuang, Mr. Horng Tsai-Chin and Mr. Lo Tai-Sung for the acquisition of an aggregate of 500,000 shares of NT\$10 each in the share capital of Gi Li, as to 155,650 shares from Mr. Cheng Li-Yu, 148,200 shares from Mr. Cheng Li-Yen, 29,650 shares from Mr. Huang Kuo-Kuang, 83,250 shares from Mr. Horng Tsai-Chin and 83,250 shares from Mr. Lo Tai-Sung respectively, being its entire issued share capital at an aggregate cash consideration of NT\$5 million. The acquisition became effective on 26th November, 2003;
- (f) on 17th November, 2003, Elite Services Business Limited, a passive investor, entered into a subscription agreement with Giant Glory for the subscription of 464,285 shares of US\$1 each in the share capital of Giant Glory at a subscription price of US\$2,599,996. The completion of the subscription took place on 30th January, 2004;
- (g) on 31st January, 2004, Prosper Sino Limited, a company incorporated in Samoa and is beneficially owned by Mr. Huang Kuo-Kuang, subscribed for and was allotted 334,777 shares of US\$1 each in the share capital of Giant Glory at a subscription price of US\$2,008,662;

- (h) on 31st January, 2004, each of Extrawell, Southern Asia and Ever Grand subscribed for and was allotted an aggregate number of 672,605 shares of US\$1 each in the share capital of Giant Glory, as to 216,127 shares to Extrawell, 348,414 shares to Southern Asia and 108,064 shares to Ever Grand, at an aggregate subscription price of US\$4,035,630;
- (i) on 1st February, 2004, an amount of US\$34,105,752 standing to the credit of the share premium account of Giant Glory was capitalised and applied in paying up in full at par an aggregate of 34,105,752 shares of US\$1 each in the share capital of Giant Glory for allotment and issue to Extrawell, Southern Asia, Ever Grand, Jiu Liang International Limited, Ace World Investments Limited, Elite Services Business Limited, Prosper Sino Limited, Worldstar Holding Limited and Willsley Capital Co., Ltd., being holders of shares in the share capital of Giant Glory as at that date, in proportion to their then existing holdings in Giant Glory;
- (j) as rewards and incentives to the contributions by Mr. Lo Jung-Te, on 29th February, 2004, Southern Asia and Ever Grand transferred to Pan Yu Ventures Limited an aggregate of 775,171 shares of US\$1 each in the share capital of Giant Glory at an aggregate cash consideration of US\$775,171;
- (k) on 29th February, 2004, Extrawell and Southern Asia transferred to Finance Advance Limited an aggregate of 492,172 shares of US\$1 each in the share capital of Giant Glory at an aggregate cash consideration of US\$492,172;
- (l) on 30th June, 2004, Best Alliance, the intermediate holding company of our Group, acquired from Extrawell, Southern Asia, Ever Grand, Jiu Liang International Limited, Ace World Investments Limited, Elite Services Business Limited, Finance Advance Limited, Pan Yu Ventures Limited, Prosper Sino Limited, Worldstar Holding Limited and Willsley Capital Co., Ltd., being all of the then shareholders of Giant Glory, an aggregate of 49,777,419 shares of US\$1 each in, being the entire issued share capital of, Giant Glory, in consideration of and in exchange for which Best Alliance allotted and issued, credited as fully paid, an aggregate of 49,777,419 new shares of US\$1 in its capital, as to 12,956,814 shares to Extrawell, 19,549,028 shares to Southern Asia, 6,478,408 shares to Ever Grand, 952,881 shares to Jiu Liang International Limited, 1,905,761 shares to Ace World Investments Limited, 1,474,694 shares to Elite Services Business Limited, 492,172 shares to Finance Advance Limited, 775,171 shares to Pan Yu Ventures Limited, 1,063,342 shares to Prosper Sino Limited, 317,627 shares to Worldstar Holding Limited and 3,811,521 shares to Willsley Capital Co., Ltd.;

- (m) on 30th June, 2004, Best Alliance acquired an aggregate of 3,500,000 shares of US\$1 each in the capital of Hempton, being the entire issued share capital of Hempton, from Linwood Investments Limited and Elite Services Business Limited in consideration of and in exchange for which Best Alliance allotted and issued, credited as fully paid, an aggregate of 2,822,581 shares of US\$1 each, as to 2,116,936 shares to Linwood Investments Limited and 705,645 shares to Elite Services Business Limited;
- (n) on 22nd July, 2004, Southern Asia acquired from each of Ever Grand and Linwood Investments Limited their respective interests in 6,478,408 shares and 2,116,936 shares in the share capital of Best Alliance, being their entire interest therein, in consideration of and in exchange for which Southern Asia allotted and issued, credited as fully paid, (i) an aggregate of 2,106,064 shares of US\$1 each in its share capital to the then shareholders of Ever Grand, in proportion to their then existing holdings therein, at the direction of Ever Grand; and (ii) an aggregate of 656,250 shares of US\$1 each in its share capital to the then shareholders of Linwood Investments Limited, in proportion to their then existing holdings therein, at the direction of Linwood Investments Limited; and
- (o) on 17th June, 2005, Jiu Liang International Limited transferred 952,881 Shares to the Share Award Plan Trustee at nil consideration for the purpose of the Share Award Plan, particulars of which are set out in paragraph 14 of this Appendix.

5. Changes in share capital of subsidiaries

Our subsidiaries are listed in the accountants' report set out in Appendix I to this prospectus. In addition to the alterations described in paragraph 4 above, the following alterations in the share capital of each of our subsidiaries took place within two years immediately preceding the date of this prospectus:

- (a) pursuant to an approval dated 3rd December, 2003 and issued by 江蘇省對外貿易經濟合作廳 (Jiangsu Province Foreign Trading and Economic Cooperation Office), the registered capital of Suzhou Dazhi was increased from US\$15 million to US\$35 million by Jiu Ding International Limited and Giant Glory subscribing for an aggregate additional registered capital of US\$20 million. After such increase, the entire registered capital of Suzhou Dazhi is owned as to 52.86% by Jiu Ding International Limited and 47.14% by Giant Glory;
- (b) on 5th February, 2004, the authorised share capital of Applied Business Company Inc. was increased from US\$50,000 to US\$5 million by creation of further 4,950,000 shares of US\$1 each in the capital of Applied Business Company Inc., 1,450,000 shares of which were allotted and issued to Giant Glory for cash at par on that date;

- (c) on 5th February, 2004, the authorised share capital of ICAN Business Limited was increased from US\$50,000 to US\$5 million by creation of further 4,950,000 shares of US\$1 each in the capital of ICAN Business Limited, 1,450,000 shares of which were allotted and issued to Giant Glory for cash at par on that date;
- (d) on 21st April, 2004, Best Alliance was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, none of which was allotted and issued as at that date;
- (e) on 30th June, 2004, a resolution was passed by the sole director of Best Alliance pursuant to which the authorised share capital of Best Alliance was increased from US\$50,000 to US\$52.6 million divided into 52.6 million shares of US\$1 each, all of which were allotted and issued on that date pursuant to the Reorganisation as referred to in sub-paragraphs (l) and (m) under the paragraph headed “Group reorganisation” in this appendix;
- (f) pursuant to an approval dated 5th April, 2004 and issued by 上海市松江出口加工區管理委員會 (Shanghai Municipal Song Jiang Export Processing District Administration Committee), the registered capital of Ju Teng Electronics was increased from US\$3.5 million to US\$12.5 million, of which is wholly-owned by Hempton;
- (g) on 18th June, 2004, Grand Develop Investments Limited was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 Shares of HK\$1 each. One subscriber share was allotted and issued to the subscriber at par on that date, which was then transferred to Giant Glory at a nominal cash consideration of HK\$1 on 14th July, 2004;
- (h) pursuant to an equity transfer agreement dated 6th July, 2004, Giant Glory acquired from Jiu Ding International Limited its entire interest in the registered capital of Suzhou Dazhi at the cash consideration of US\$18.5 million;
- (i) pursuant to an approval dated 30th September, 2004 and issued by 江蘇省對外貿易經濟合作廳 (Jiangsu Province Foreign Trading and Economic Cooperation Office), the registered capital of Suzhou Dazhi was increased from US\$35 million to US\$55 million by Giant Glory subscribing for an additional registered capital of US\$20 million; and

- (j) pursuant to an approval dated 16th March, 2005 and issued by 江蘇省對外貿易經濟合作廳 (Jiangsu Province Foreign Trading and Economic Cooperation Office), the registered capital of Everyday Computer was increased from US\$15 million to US\$35 million.

Save as disclosed herein and in paragraph 4 of this Appendix, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

6. Securities repurchase mandate

This paragraph 6 includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our articles of association and the laws of the Cayman Islands. Under the Cayman Islands laws, any repurchases by us may be made out of our profits or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if so authorised by our articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of our profits or from sums standing to the credit of our share premium account or, if authorised by our articles of association and subject to the provisions of the Companies Law, out of capital.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of our Company and our Shareholders for the Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our articles of association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Group.

(d) *General*

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers ("Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No connected person (as defined in the Listing Rules) has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so if the Repurchase Mandate is exercised.

7. Registration under Part XI of the Companies Ordinance

We have established our head office and a principal place of business in Hong Kong for the purpose of registration under Part XI of the Companies Ordinance at Suites 3311-3312, Jardine House, 1 Connaught Place, Central, Hong Kong. We have been registered as an overseas company under Part XI of the Companies Ordinance. Mr. Tsui Yung Kwok has been appointed as agent of our Company for the acceptance of service of process in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS**8. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an agreement dated 17th November, 2003 and made between Elite Services Business Limited as subscriber and Giant Glory as issuer for the subscription for shares by Elite Services Business Limited of an aggregate of 464,285 shares of US\$1 each in Giant Glory at a cash consideration of US\$2,599,996;
- (b) an agreement dated 30th June, 2004 and made between Linwood Investments Limited and Elite Services Business Limited as vendors and Best Alliance as purchaser for the acquisition by Best Alliance of an aggregate of 3,500,000 shares of US\$1 each in the capital of Hempton International Limited, being its entire issued share capital, from Linwood Investments Limited and Elite Services Business Limited in consideration of and in exchange for the allotment and issue, credited as fully paid, of an aggregate of 2,822,581 shares of US\$1 each in the capital of Best Alliance, as to 2,116,936 shares to Linwood Investments Limited and 705,645 shares to Elite Services Business Limited;
- (c) an equity transfer agreement dated 6th July, 2004 and made between Jiu Ding International Limited as vendor and Giant Glory as purchaser for the acquisition by Giant Glory of US\$18.5 million of the capital contributed by Jiu Ding International Limited in Suzhou Dazhi from Jiu Ding International Limited at a cash consideration of US\$18.5 million;
- (d) a deed of settlement dated 17th June, 2005 and entered into between the Company and the Share Award Plan Trustee in relation to the establishment of the trust constituting the Share Award Plan;
- (e) an agreement dated 17th June, 2005 and made between (i) Extrawell, Southern Asia, Jiu Liang International Limited, Ace World Investments Limited, Elite Services Business Limited, Finance Advance Limited, Pan Yu Ventures Limited, Prosper Sino Limited, Worldstar Holding Limited and Willsley Capital Co., Ltd. as vendors; (ii) Mr. Cheng Li-Yu, Mr. Cheng Li-Yen, Mr. Huang Kuo-Kuang and Mr. Horng Tsai-Chin as warrantors; and (iii) our Company as purchaser for the acquisition by us of an aggregate number of 52,600,000 shares of US\$1 each in the share capital of Best Alliance, being the entire issued share capital of Best Alliance, in consideration of and in exchange for the allotment and issue, credited as fully paid, of an aggregate

of 52,599,999 new Shares as to 12,956,814 Shares to Extrawell, 28,144,371 Shares to Southern Asia, 952,881 Shares to Jiu Liang International Limited, 1,905,761 Shares to Ace World Investments Limited, 2,180,339 Shares to Elite Services Business Limited, 492,172 Shares to Finance Advance Limited, 775,171 Shares to Pan Yu Ventures Limited, 1,063,342 Shares to Prosper Sino Limited, 317,627 Shares to Worldstar Holding Limited and 3,811,521 Shares to Willsley Capital Co., Ltd.;

- (f) a deed of indemnity dated 24th October, 2005 executed by Extrawell, Southern Asia, Mr. Cheng Li-Yu, Mr. Cheng Li-Yen and Mr. Horng Tsai-Chin in favour of our Company (for ourselves and as trustee for our subsidiaries stated therein) containing the indemnities in respect of taxation, estate duty and other liabilities referred to in paragraph 15 of this Appendix; and
- (g) the Hong Kong Public Offer Underwriting Agreement.






9. Intellectual property rights of our Group

As at the Latest Practicable Date, our Group was the owner of the following trademarks:




Trademarks	Place of registration	Class	Registration number	Registration date	Expiry date
巨騰 JU TENG	Hong Kong	6 (Note 1)	300335114	10th December, 2004	9th December, 2014
巨騰 JU TENG	Hong Kong	9 (Note 2)	300335105	10th December, 2004	9th December, 2014
巨騰 JU TENG	Hong Kong	17 (Note 3)	300335097	10th December, 2004	9th December, 2014
巨騰 JU TENG	Japan	36 (Note 6)	4857986	15th April, 2005	15th April, 2015
巨騰 JU TENG	Taiwan	36 (Note 6)	01144802	16th March, 2005	15th March, 2015
巨騰 JU TENG	Hong Kong	36 (Note 6)	300293634	28th September, 2004	27th September, 2014
巨騰 JU TENG	Hong Kong	40 (Note 8)	300335088	10th December, 2004	9th December, 2014
巨騰 JU TENG	Hong Kong	42 (Note 9)	300335123	10th December, 2004	9th December, 2014
	Hong Kong	6 (Note 1)	300335178	10th December, 2004	9th December, 2014
	Hong Kong	9 (Note 2)	300335169	10th December, 2004	9th December, 2014
	Hong Kong	17 (Note 3)	300335150	10th December, 2004	9th December, 2014
	Japan	36 (Note 6)	4857985	15th April, 2005	15th April, 2015

APPENDIX VII

STATUTORY AND GENERAL INFORMATION

Trademarks	Place of registration	Class	Registration number	Registration date	Expiry date
	Taiwan	35 (Note 4)	01144786	16th March, 2005	15th March, 2015
	Taiwan	36 (Note 6)	01144803	16th March, 2005	15th March, 2015
	Hong Kong	36 (Note 6)	300293625	28th September, 2004	27th September, 2014
	Hong Kong	40 (Note 8)	300335141	10th December, 2004	9th December, 2014
	Hong Kong	42 (Note 9)	300335132	10th December, 2004	9th December, 2014

As at the Latest Practicable Date, our Group has applied for the registration of the following trademarks, the applications of which are still pending:

Trademarks	Country/place of application	Class	Date of application	Application number
巨騰 JU TENG	The PRC	35 (Note 5)	1st November, 2004	4337555
巨騰 JU TENG	The PRC	36 (Note 6)	1st November, 2004	4337543
巨騰 JU TENG	The PRC	40 (note 7)	1st November, 2004	4337541
	The PRC	35 (Note 5)	1st November, 2004	4337544
	The PRC	36 (Note 6)	1st November, 2004	4337554
	The PRC	40 (Note 7)	1st November, 2004	4337542

Notes:

1.
- The specific products under class 6 in respect of which the trademark was applied for registration are metal products and other ordinary metal products which do not fall within other classes.
2.
- The specific products under class 9 in respect of which the trademark was applied for registration are casing products for PDA cellphones, LCD PCs, digital cameras, games consoles and other electronic products.
3.
- The specific products under class 17 in respect of which the trademark was applied for registration are semi-finished plastic products for manufacturing purposes.
4.
- The specific services under class 35 in respect of which the trademark was applied for registration are import and export agency services, provision of information in relation to the quotation, tender and sales of various products of the overseas and domestic manufacturers.
5.
- The specific services under class 35 in respect of which the trademark was applied for registration are import and export agent, promotion services (for third parties), acting as agent for third parties (for purchase of goods or services).

- 6. The specific service under class 36 in respect of which the trademark was applied for registration is capital investment.
- 7. The specific services under class 40 in respect of which the trademark was applied for registration are materials assembly, information of materials processing, metal processing, materials injection moulding, materials spray painting, materials stamping, grinding and processing, cladding and processing and moulding.
- 8. The specific services under class 40 in respect of which the trademark was applied for registration are materials assembly, processing of metals, materials injection moulding, plastic injection, metal moulding and pressing, materials spray painting, dustless spray painting, materials stamping, grinding and processing, cladding, processing, moulding and assembly.
- 9. The specific services under class 42 in respect of which the trademark was applied for registration are research and development of techniques relating to dustless spray painting, metal moulding and stamping and plastic injection moulding and others.

10. Further information about our Group's PRC establishments

Our Group has interests in the registered capital of three wholly foreign-owned enterprises in the PRC. A summary of the corporate information of these enterprises are set out as follows:

- (a) (i) Name of the enterprise: 大昶電腦配件(蘇州)有限公司 (Everyday Computer Components (Suzhou) Co., Ltd.)
- (ii) Economic nature: wholly foreign-owned enterprise
- (iii) Registered owner: Giant Glory
- (iv) Total investment: US\$89.9 million (equivalent to approximately HK\$701 million)
- (v) Registered capital: US\$35 million (equivalent to approximately HK\$273 million)
- (vi) Attributable interest to our Group: 100%
- (vii) Term: 50 years, from 6th July, 2000 to 5th July, 2050
- (viii) Scope of business: Manufacturing of fine flushed moulds, fine cavity moulds, standard moulding tools, new electronic materials and machinery components (electric and electronic machinery components, optoelectronic machinery components, new machinery and electronic components); and sales of the company's own products
- (ix) Legal representative: Cheng Li-Yu (鄭立育)

- (b) (i) Name of the enterprise: 蘇州大智資訊配件有限公司 (Suzhou Dazhi Communication Accessory Co., Ltd.)
- (ii) Economic nature: wholly foreign-owned enterprise
- (iii) Registered owner: Giant Glory
- (iv) Total investment: US\$149.95 million (equivalent to approximately HK\$1,169.61 million)
- (v) Registered capital: US\$55 million (equivalent to approximately HK\$429 million)
- (vi) Attributable interest to our Group: 100%
- (vii) Term: 50 years, from 29th September, 2002 to 28th September, 2052
- (viii) Scope of business: Manufacturing of fine flushed moulds, fine cavity moulds, standard moulding tools, new electronic materials and machinery components (electric and electronic machinery components, optoelectronic machinery components, new machinery and electronic components); and sales of the company's own products
- (ix) Legal representative: Cheng Li-Yen (鄭立彥)
- (c) (i) Name of the enterprise: 巨騰電子(上海)有限公司 (Ju Teng Electronics (Shanghai) Co., Ltd.)
- (ii) Economic nature: wholly foreign-owned enterprise
- (iii) Registered owner: Hempton International Limited
- (iv) Total investment: US\$29.5 million (equivalent to approximately HK\$230.1 million)
- (v) Registered capital: US\$12.5 million (equivalent to approximately HK\$97.5 million)
- (vi) Attributable interest to our Group: 100%
- (vii) Term: 30 years, from 7th June, 2002 to 6th June, 2032

- (viii) Scope of business: Manufacturing of fine flushed moulds, fine standard tools, new electronic materials and machinery components (electric and electronic machinery components, optoelectronic machinery components, new machinery and electronic components); manufacturing and processing electronic part components, surface treatment of electronic part components and sales of the company's own products (where administrative permits are required, such scope of business as permitted in the administrative permit)
- (ix) Legal representative: Chen Wen Zhong (陳文忠)

As approved by the relevant PRC government authorities, the registered capital of Everyday Computer was increased from US\$15 million to US\$35 million in March 2005 and, according to such approval, the capital contribution by Giant Glory in respect of such increase in registered capital shall be completed within three years from the date of issue of the revised business licence (that is, prior to 23rd March, 2008), and shall be made as to 15% thereof within three months from that date (that is, 23rd June, 2005). As advised by our PRC legal advisers, Giant Glory has made the contribution to the requisite portion of the registered capital of Everyday Computer within the prescribed time limit and the paid-up and duly verified registered capital of Everyday Computer amounted to approximately US\$26 million as at the Latest Practicable Date.

As approved by the relevant PRC government authorities, the registered capital of Suzhou Dazhi was increased from US\$35 million to US\$55 million in September 2004 and, according to such approval, the capital contribution by Giant Glory in respect of such increase in registered capital shall be completed within three years from the date of issue of the revised business licence (that is, prior to 15th October, 2007), and shall be made as to 15% thereof within three months from that date (that is, 15th January, 2005). As advised by our PRC legal advisers, Giant Glory has made the contribution to the requisite portion of the registered capital of Suzhou Dazhi within the prescribed time limit and the paid-up and duly verified registered capital of Suzhou Dazhi amounted to US\$46.5 million as at the Latest Practicable Date.

As approved by the relevant PRC government authorities, the registered capital of Ju Teng Electronics was increased from US\$3.5 million to US\$12.5 million in April 2004 and, according to the approval, the capital contribution by Hempton in respect of such increase in registered capital shall be completed within three years from the date of issue of the revised business licence (that is, prior to 28th May, 2007), and shall be made as to 15% thereof within three months from that date (that is, 28th August, 2004). As advised by the Company's PRC legal advisers, Hempton has made the contribution to the requisite portion of the registered capital of Ju Teng Electronics within the prescribed time limit and the paid-up and duly verified registered capital of Ju Teng Electronics amounted to US\$6 million as at the Latest Practicable Date.

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF AND EXPERTS**11. Disclosure of interests***(a) Disclosure of interests of the Directors*

- (i) Each of Mr. Cheng Li-Yen, Mr. Cheng Li-Yu, Mr. Huang Kuo-Kuang and Mr. Horng Tsai-Chin is interested in the corporate reorganisation referred to under paragraph 4 of this Appendix.
- (ii) Save as disclosed in this prospectus, none of the Directors or their associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of service contracts

Each of Mr. Cheng Li-Yen, Mr. Cheng Li-Yu, Mr. Huang Kuo-Kuang and Mr. Tsui Yung Kwok, being all the executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from 1st June, 2005 renewable automatically for successive terms of one year each commencing from the day next 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. Each of these executive Directors is entitled to the respective basic salary set out below (subject to an annual increment after 1st January, 2006 at the discretion of the Directors of not more than 20% of their respective annual salary immediately prior to such increase). Upon completion of every 12-month period of the term of the service contract, each of these executive Directors shall be entitled to a guaranteed year-end bonus of an amount equivalent to his salary for two months, provided that, if any such executive Director does not complete a full 12-month period of the term of his service contract, he shall be entitled to a rateable proportion (apportioned on a time basis) of the guaranteed year end bonus which he would have received had he completed a whole 12-month term. In addition, each of the executive Directors is also entitled to a discretionary management bonus. The aggregate amount of bonuses payable to all executive Directors who are entitled to such bonuses for any financial year of our Company shall not exceed 5% of the audited consolidated or combined net profit of our Group (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of the Directors regarding the amount of management bonus payable to him. The current basic annual salaries of the executive Directors are as follows:

Name	Annual salary
Mr. Cheng Li-Yu	NT\$2,400,000
Mr. Cheng Li-Yen	approximately HK\$ 509,000 <i>(note)</i>
Mr. Huang Kuo-Kuang	approximately HK\$ 509,000 <i>(note)</i>
Mr. Tsui Yung Kwok	HK\$ 792,000

Note: Such salaries are payable in two currencies and the amount stated represents the aggregate of NT\$1,824,000 and RMB84,000 payable to the relevant Director under the service contract.

Each executive Director is an eligible participant under the Share Option Scheme and may, at the discretion of the Board, be granted share options under the Share Option Scheme. Each executive Director (save for any executive Director who, together with his associates, holds 5% or more of all issued Shares for the time being and from time to time) is also an eligible employee under the Share Award Plan and may, at the discretion of the Board, be awarded Shares under the Share Award Plan, subject to the terms thereof and the compliance of the applicable requirements under the Listing Rules.

The non-executive Director and the independent non-executive Directors have been appointed for a term of two years commencing from 17th June, 2005 renewable automatically for successive terms of one year each commencing from the day next 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 3 months' notice in writing served by either our Company or the respective Director. We intend to pay a director's fee of NT\$600,000 per annum to each of the independent non-executive Directors. Save for directors' fees, none of the non-executive Director nor the independent non-executive Directors is expected to receive any other remuneration for holding his office as a non-executive Director or an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Company within one year without the payment of compensation (other than statutory compensation)).

(c) *Directors remuneration*

- (i) During each of the three years ended 31st December, 2004, the aggregate of the remuneration (including salaries and allowances) paid and benefits in kind granted by our Group to the Directors was approximately HK\$727,000, HK\$1,008,000 and HK\$2,105,000 respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding any discretionary bonus, if any, payable to the Directors) payable by our Group to and benefits in kind receivable by the Directors for the year ending 31st December, 2005 will be approximately HK\$4,015,000.
- (iii) None of the Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31st December, 2004 (i) as an inducement to join or upon joining us or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31st December, 2004.

(d) *Interests and short positions of Directors in the shares, underlying shares or debentures of our Company and our associated corporations*

Immediately following completion of the Share Offer and the Capitalisation Issue, the interests and short positions of the Directors in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of the SFO) which will have to be notified to our 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 are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, once the Shares are listed, will be as follows:

Name of Director	Company/name of associated corporation	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Cheng Li-Yu	Our Company	Founder and beneficiary of a discretionary trust (Note 2)	395,947,439 Shares (L)	39.59%
Mr. Cheng Li-Yen	Our Company	Beneficiary of a discretionary trust (Note 2)	395,947,439 Shares (L)	39.59%
Mr. Tsui Yung Kwok	Our Company	Beneficial owner (Note 3)	2,800,000 Shares (L)	0.28% (Note 4)
Mr. Huang Kuo-Kuang	Our Company	Beneficial owner (Note 5)	579,699 Shares (L)	0.058%

Notes:

1. The letter "L" denotes the Directors' long position in the shares of our Company and/or the relevant associated corporation.
2. These Shares will be registered in the name of Southern Asia, which is owned as to approximately 69.09% by Shine Century Assets Corp. The entire issued share capital of Shine Century Assets Corp. is owned by the Cheng Family Trust which was founded by Mr. Cheng Li-Yu. Mr. Cheng Li-Yu and Mr. Cheng Li-Yen are also two of the beneficiaries of the Cheng Family Trust. Mr. Cheng Li-Yu and Mr. Cheng Li-Yen are deemed to be interested in all the Shares in which Shine Century Assets Corp. is interested by virtue of the SFO.
3. Mr. Tsui Yung Kwok's long position in the Shares comprises the 2,800,000 options granted to him by our Company under the Pre-IPO Share Option Scheme which will remain outstanding immediately following the completion of the Share Offer and the Capitalisation Issue.

4. This percentage is calculated on the basis of 1,002,800,000 Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (as enlarged by the exercise in full of all these options) but does not take into account of any Shares which may fall to be allotted and issued upon exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme, and assuming that all the options granted under the Pre-IPO Share Option Scheme are exercised in full at the same time.
5. Mr. Huang Kuo-Kuang's long position in the Shares comprises the 579,699 Shares provisionally awarded to him under the Share Award Plan. 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 month after the Listing Date.

(e) Personal guarantees

Mr. Cheng Li-Yu, Mr. Cheng Li-Yen and Mr. Horng Tsai-Chin have given various several and/or joint and several personal guarantees and security in favour of certain banks in Taiwan as security for the payment obligations of our Group under various banking facilities granted to our Group by these banks.

Applications have been made to the relevant banks for the release of the relevant personal guarantees and security and their replacement thereof by corporate guarantees or other security from our Company or other members of our Group following the Listing. The relevant banks have agreed in principle that these personal guarantees will be released and replaced by corporate guarantees or other security from our Company or other members of our Group upon the Listing.

(f) Related party transactions

During the two years preceding the date of this prospectus, our Group has engaged in transactions with certain Directors and their associates as described in:

- (a) note (i) to section 3, notes (f), (g), (i), (j) and (k) to section 4 and section 9 of the accountants' report set out in Appendix I to this prospectus;
- (b) notes (g) to section 2, notes (e), (f), (h), (i) and (j) to section 3 of the accountants' report of Gi Li set out in Appendix II to this prospectus; and
- (c) paragraph 4 of this Appendix.

(g) *Disclaimers*

Save as disclosed in this prospectus:

- (i) and taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, the Directors are not aware of any person who immediately following the completion of the Share Offer and the Capitalisation Issue will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;
- (ii) none of the Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, any interests or short positions in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to Section 352 of the SFO or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed on the Stock Exchange;
- (iii) none of the Directors nor the experts named in paragraph 20 of this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (iv) none of the Directors nor the experts named in paragraph 20 of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and
- (v) none of the experts named in paragraph 20 of this Appendix has any shareholding in any company in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in our Group.

12. Interest discloseable under the SFO and substantial shareholders

So far as is known to the Directors, immediately following completion of the Share Offer and the Capitalisation Issue (but without taking into account of any Shares which may be taken up under the Share Offer or any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name	Company/name of Group member	Capacity	Class and number of securities (Note 1)	Approximate percentage of shareholding
Southern Asia	Our Company	Beneficial owner	395,947,439 Shares (L)	39.59%
Extrawell	Our Company	Beneficial owner	182,282,174 Shares (L)	18.23%
Shine Century Assets Corp. (Note 2)	Our Company	Interest of a controlled corporation	395,947,439 Shares (L)	39.59%
Mr. Cheng Li-Yu (Note 2)	Our Company	Founder of a discretionary trust	395,947,439 Shares (L)	39.59%
Ms. Lin Mei-Li (Note 3)	Our Company	Interest of spouse	395,947,439 Shares (L)	39.59%
Willsley Capital Co., Ltd.	Our Company	Beneficial owner	53,622,158 Shares (L)	5.36%
Mr. Duan Wang (Note 4)	Our Company	Interest of a controlled corporation	53,622,158 Shares (L)	5.36%
Ms. Fan Wang (Note 5)	Our Company	Interest of spouse	53,622,158 Shares (L)	5.36%

Notes:

1. The letter “L” denotes the Shareholders’ long position in the share capital of the relevant member of our Group.
2. These Shares will be registered in the name of Southern Asia, which is owned as to approximately 69.09% by Shine Century Assets Corp. The entire issued share capital of Shine Century Assets Corp. is owned by the Cheng Family Trust which was founded by Mr. Cheng Li-Yu. Shine Century Assets Corp. is deemed to be interested in all the Shares in which Southern Asia is interested by virtue of the SFO, and Mr. Cheng Li-Yu is deemed to be interested in all the Shares in which Shine Century Assets Corp. is interested by virtue of the SFO.

3. Ms. Lin Mei-Li is the wife of Mr. Cheng Li-Yu and she is deemed to be interested in all the Shares in which Mr. Cheng Li-Yu is interested by virtue of the SFO.
4. These Shares will be registered in the name of Willsley Capital Co., Ltd., the entire issued share capital of which is beneficially owned by Mr. Duan Wang. Mr. Duan Wang is deemed to be interested in all the Shares in which Willsley Capital Co., Ltd. is interested by virtue of the SFO.
5. Ms. Fan Wang is the wife of Mr. Duan Wang and she is deemed to be interested in all the Shares in which Mr. Duan Wang is interested by virtue of the SFO.

13. Share option schemes

(A) Pre-IPO Share Option Scheme

(a) Summary of terms

The purpose of the Pre-IPO Share Option Scheme is to recognise and reward the contribution of certain directors, senior management, employees, consultants and advisers of our Group to the growth and development of our Group and the listing of the Shares on the Main Board. The principal terms of the Pre-IPO Share Option Scheme adopted by a resolution in writing passed by all Shareholders on 17th June, 2005 are similar to the terms of the Share Option Scheme except that:

- (i) the classes of eligible participants are different from that provided in paragraph 13(B)(a)(ii);
- (ii) the general scheme limit, the individual limit applicable to each proposed grantee and the restrictions on grant of options to a connected person as referred to in paragraphs 13(B)(a)(iii)(bb), 13(B)(a)(iv) and 13(B)(a)(v), respectively, do not apply;
- (iii) the rules of the Pre-IPO Share Option Scheme were adopted unconditionally by a resolution in writing passed by all Shareholders on 17th June, 2005, but the exercise of any option granted thereunder is conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme within 30 days after the date of this prospectus, failing which such options granted and the Pre-IPO Share Option Scheme shall forthwith lapse, and the exercise period of options granted may not commence earlier than the first day immediately following the expiry of 12 months after the Listing Date;
- (iv) the Directors may only grant options under the Pre-IPO Share Option Scheme at any time within a period commencing from 17th June, 2005 and ending on the Latest Practicable Date; and
- (v) any offer of option made by the Directors under the Pre-IPO Share Option Scheme shall be open for acceptance for a period of up to the earlier of 21 days from the relevant offer date or the Latest Practicable Date.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

As at the Latest Practicable Date, options to subscribe for an aggregate of 2,800,000 Shares have been granted by us under the Pre-IPO Share Option Scheme. The Directors confirm that, save as disclosed in sub-paragraph (b) below, no further option has been or will be granted under the Pre-IPO Share Option Scheme prior to the Latest Practicable Date.

(b) Outstanding options granted under the Pre-IPO Share Option Scheme

Particulars of the outstanding options which have been granted under the Pre-IPO Share Option Scheme as at the Latest Practicable Date are set out below:

Name of grantee (relation with our Group) <i>(Note 1)</i>		Period during which the options remain exercisable	Exercise price per Share <i>(HK\$)</i>	Number of underlying Shares under the options	Approximate percentage of shareholding held upon exercise of all the options <i>(Note 2)</i>
Mr. Tsui Yung Kwok <i>(executive Director)</i>	Flat D	Period	90% of the	2,800,000	0.28%
	40th Floor	commencing	final		
	Block 11	from and	Offer Price		
	Tierra Verde	including the			
	33 Tsing King Road	date falling			
	Tsing Yi	12 months from			
	New Territories	the Listing Date			
	Hong Kong	and ending on			
		and including			
		16th June, 2015			
		<i>(Note 3)</i>			

Notes:

1. Mr. Tsui Yung Kwok joined our Group in August 2004 as an executive Director, the chief financial officer, qualified accountant and the company secretary of our Company; he is a qualified accountant with extensive experience in financial control and accounts. He held a senior position in Ernst & Young in Hong Kong and had over 10 years' experience in auditing and providing corporate advisory services. Prior to his joining of our Group, he had been the executive-in-charge for the auditing of the financial statements of our Group from July 2003 to September 2003 during his employment with Ernst & Young in Hong Kong. Apart from the aforementioned, Mr. Tsui had no involvement in the audit of the Group. He has been contributing to the monitoring of the internal financial control of our Company and has been responsible for the corporate and regulatory compliance for our Group's listing since he joined our Group. Mr. Tsui has also played an essential role in preparing our Company's listing application and in planning the continuing growth and development of our Group as well as enhancing our Group's corporate governance, promoting efficient financial management and treasury aspects of our Group. In enhancing our Group's standard of corporate governance, he has assisted our Group in preparing and finalising the code of practice for the proceedings of the Board, and the securities dealing code for our Group's directors and employees to ensure compliance of the applicable laws and the Listing Rules. He also assisted the Board in preparing and finalising the respective terms of reference for our Company's remuneration committee and audit committee and the establishment thereof. In addition, he acts as the compliance officer of our Group and has assisted the Directors in understanding our Company's and their own duties under the applicable laws and regulations as well as the Listing Rules. These options were granted to Mr. Tsui at the discounted exercise price as recognition of and reward for his contribution to our Group.
2. This percentage is calculated on the basis of 1,002,800,000 Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (as enlarged by the exercise in full of all the options granted under the Pre-IPO Share Option Scheme) but does not take into account any Shares which may fall to be allotted and issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or Shares which may be allotted and issued under the Share Award Plan, and assuming that all the options granted under the Pre-IPO Share Option Scheme are exercised in full at the same time.
3. Mr. Tsui Yung Kwok has given an undertaking to our Company and the Stock Exchange that he will not exercise any option granted under the Pre-IPO Share Option Scheme if and to the extent that such exercise will result in the number of Shares in the hands of the public falling below the minimum percentage of 25% of the Company's total issued share capital from time to time as prescribed under the Listing Rules.

(B) Share Option Scheme*(a) Summary of terms*

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by all Shareholders on 6th October, 2005:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, the Directors and other selected participants for their contributions to our Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

The Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) (the “Eligible Employee”) of our Company, any of our subsidiaries or any entity (“Invested Entity”) in which any member of our Group holds an equity interest;

- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of our Group or any Invested Entity;
- (dd) any customer of any member of our Group or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly-owned by one or more of the above.

For avoidance of doubt, the grant of any options by us for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of our Group.

- (iii) Maximum number of the Shares
 - (aa) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of our share capital in issue from time to time.
 - (bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date ("General Scheme Limit"). On the basis of a total of 1,000 million Shares in issue as at the Listing Date (including those Shares to be issued pursuant to the Capitalisation Issue and the New Issue but without taking account for any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any options which have been granted or may be granted under the Pre-IPO Share Option Scheme, the Share Award Plan and/or the Share Option Scheme), the General Scheme Limit will be 100 million Shares.
 - (cc) Subject to (aa) above but without prejudice to (dd) below, we may seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted. The circular sent by us to our shareholders shall contain, among other information, the information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.
 - (dd) Subject to (aa) above and without prejudice to (cc) above, we may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc)

above to participants specifically identified by us before such approval is sought. In such event, we must send a circular to its Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

Subject to (iii) above, the total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of our issued share capital for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in our general meeting with such grantee and his associates abstaining from voting.

(v) Grant of options to the Directors, chief executive or substantial shareholders of our Company or their respective associates

(aa) Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options).

(bb) Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

- (ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting. We must send a circular to the Shareholders. All our connected persons of the Company must abstain from voting at such general meeting. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director of our Company or any of their respective associates must be approved by the Shareholders in general meeting.

- (vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date on which the offer for the grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

- (vii) Performance targets

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

- (viii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

- (ix) Ranking of the Shares

(aa) The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of our articles of association for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when our register of members is closed, the first day of the re-opening of the register of members (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on our register of members as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in our ordinary equity share capital of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of our share capital from time to time.

(x) Restrictions on the time of the offer for the grant of options

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in newspapers. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no offer for the grant of options may be made.

The Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by us.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation or termination and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation or termination, which will be taken to be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, we shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, with appropriate changes, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to us in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to us at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and we shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of our assets available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly-owned by eligible participants

If the grantee is a company wholly-owned by one or more eligible participants:

- (i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, with appropriate changes, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly-owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable or the Share Option Scheme remains in effect, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares to which the Share Option Scheme relates and/or the subscription price of the option concerned and/or the number of Shares comprised in an option granted under the Share Option Scheme provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such adjustment; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iii) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

Where any option granted to a grantee is cancelled before it has been exercised and new option is granted to the same grantee, the issue of such new options may only be made with available unissued Options (excluding any cancelled option) within the General Scheme Limit or the limits approved by our Shareholders.

(xxi) Termination of the Share Option Scheme

We may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period referred to in paragraph (vi) above; and
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii) above.

(xxiv) Miscellaneous

- (aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of,

and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, representing 10% of the Shares in issue on the Listing Date.

- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of Share Option Scheme shall be approved by the shareholders in general meeting.

(b) Present status of the Share Option Scheme

(i) Approval of the Listing Committee required

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, representing 10% of the Shares in issue on the Listing Date.

(ii) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme representing 10% of the Shares in issue on the Listing Date.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

14. Share Award Plan

(a) *Summary of terms*

The following is a summary of the principal terms of the Share Award Plan adopted by a resolution in writing passed by all Shareholders on 17th June, 2005:

(i) Purposes of the plan

The purpose of the Share Award Plan is to recognise and reward the contribution of certain employees to the growth and development of our Group through an award of Shares.

(ii) Who may join

The Share Award Plan shall be subject to the administration of the Directors. The Directors may, in their absolute discretion, make an award to any employee (whether full time or part-time including any executive director but excluding any non-executive director and any employee who, together with his associates, holds 5% or more of all issued Shares for the time being and from time to time) ("Eligible Employee") of our Company, any of our subsidiaries or any entity ("Invested Entity") in which any member of our Group holds an equity interest.

The eligibility of any of the Eligible Employees to an award shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of our Group.

(iii) Pool of awarded Shares

The Directors shall notify the Share Award Plan Trustee (which was appointed as the trustee for the purpose of the Share Award Plan) in writing upon the making of an award to an Eligible Employee (the "Selected Employee") under the Share Award Plan. Upon the receipt of such notice, the Share Award Plan Trustee shall set aside the appropriate number of awarded Shares out of a pool of Shares comprising the following:

- (a) a total of 952,881 Shares which were transferred to the Share Award Plan Trustee by Jiu Liang International Limited, a company which is beneficially owned by Southern Asia, Extrawell, Ever Grand and 14 employees of our Group, on 17th June, 2005 at nil consideration, and a total of 12,452,669 Shares which will be allotted and issued to the Share Award Plan Trustee pursuant to the Capitalisation Issue;
 - (b) such Shares as may be subscribed for at par by the Share Award Plan Trustee by utilising the funds allocated by the Directors out of our resources but subject to the limit set out in paragraph (v) below;
 - (c) such Shares as may be purchased by the Share Award Plan Trustee on the Stock Exchange by utilising the funds allocated by the Directors out of our resources but subject to the limit set out in paragraph (v) below; and
 - (d) such Shares which remain unvested and revert to the Share Award Plan Trustee by reason of a lapse of an award.
- (iv) Subscription and purchase of Shares by the Share Award Plan Trustee to satisfy further awards

In the event that the aggregate number of Shares held by the Share Award Plan Trustee under paragraphs (iii)(a) and (d) above after deducting the number of awarded Shares set aside pursuant to the awards already made and outstanding is insufficient for the purposes of satisfying any further awards to be made under the Share Award Plan:

- (a) we shall seek separate Shareholders' approval in general meeting to authorise the Directors to allot and issue new Shares at par to the Share Award Plan Trustee provided that:
 - (i) the total number of Shares to be allotted and issued to the Share Award Plan Trustee under the Share Award Plan shall not exceed the limit specified in paragraph (v) below;

- (ii) where any award is proposed to be made to a connected person (as defined under the Listing Rules) and the relevant award of the Shares is to be satisfied by an allotment and issue of new Shares (and not from the pool of Shares referred to in paragraphs (iii)(a) and (d) above), the award shall be separately approved by the Shareholders in general meeting with such connected person (as defined under the Listing Rules) and his associates abstaining from voting and shall comply with other requirements of Chapter 14A of the Listing Rules applicable to such award;
- (iii) the circular accompanying the notice of such general meeting will contain necessary information to allow the Shareholders to assess the effect of the proposed allotment and issue of new Shares, including the analysis as to the estimated fair value of the new Shares to be allotted and issued, the dilution effect to the Shareholders and the likely impact of the employees' costs of the Group if such new Shares were allotted and issued at their estimated fair value;
- (iv) we shall disclose in our next published annual report and accounts the fair value of the new Shares allotted and issued under the Share Award Plan during the previous financial year, the number of new Shares allotted and issued to or for the benefit of any Director during the same period and the financial impact on the financial position of the Group if these Shares were allotted and issued at their fair value;
- (v) any shareholder who is an Eligible Employee shall be required to abstain from voting on any resolution regarding the proposed allotment and issue of new Shares under the Share Award Plan;
- (b) any allotment and issue of the awarded Shares by us to the Share Award Plan Trustee pursuant to this paragraph (iv) shall only be made after the Listing Committee of the Stock Exchange has granted the listing of and permission to deal in such Shares;
- (c) if any of the conditions referred to in sub-paragraphs (a) and (b) above, or any of them, cannot be satisfied, the Directors shall forthwith notify and instruct the Share Award Plan Trustee who shall satisfy any shortfall, actual or contingent, in the awarded Shares by purchasing the relevant number of Shares on the Stock Exchange at such prices as may be considered by the Share Award Plan Trustee to be appropriate, provided that

if any award is proposed to be made to a connected person (as defined in the Listing Rules) and the relevant award of the Shares is to be satisfied by purchasing the relevant number of Shares on the Stock Exchange, any allocation of funds by us to the Share Award Plan Trustee shall satisfy all applicable requirements of Chapter 14A of the Listing Rules.

The Directors shall procure that subject to the limit referred to in paragraph (v) below, adequate funds are paid out of our resources to the Share Award Plan Trustee to enable the Share Award Plan Trustee to subscribe for or, as the case may be, purchase the appropriate number of Shares as referred to in this paragraph (iv) in order to satisfy the outstanding awards from time to time made under the Share Award Plan.

(v) Maximum number of Shares to be subscribed and purchased

In any given financial year of our Company, the maximum number of Shares to be subscribed for and/or purchased by the Share Award Plan Trustee for the purpose of the Share Award Plan shall not exceed 2% of the total number of issued Shares as at the beginning of such financial year. The amount of funds to be allocated by us to the Share Award Plan Trustee for the purpose of subscribing for or, as the case may be, purchasing any awarded Shares in any given financial year shall not exceed 5% of the consolidated profit before tax of our Company as shown in the audited financial statements of the immediate preceding year.

(vi) Vesting of the awarded Shares

The legal and beneficial ownership of the relevant awarded Shares shall vest in the relevant Selected Employee within 10 Business Days after the latest of:

- (a) the date specified by the Directors on the notice of the award (which shall not be earlier than the first Business Day immediately following the expiry of six month after the Listing Date);
- (b) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such Selected Employee as specified in the related notice of award have been attained and notified to the Share Award Plan Trustee by the Directors in writing; and
- (c) where applicable, the date on which the Share Award Plan Trustee has completed the subscription for and/or purchase of Shares for the purpose of making the relevant award.

- (vii) Restrictions on the time of making awards, subscription, purchase and/or vesting

No award shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in newspapers. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our interim, quarterly, half year or annual results, and (bb) the deadline for us to publish our half year or annual results announcement under the Listing Rules or our results announcement for our quarterly or any interim period (whether or not required under the Listing Rules), and ending on the date of the relevant results announcement, no award may be made.

The Directors may not make any award to an Eligible Employee who is a connected person (as defined under the Listing Rules) during the periods or times in which Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by us.

During the period at which the Directors are restricted under the Share Award Plan from making any award, no subscription and/or purchases of Shares as referred to in paragraph (iv) above and no vesting of Shares as referred to in paragraph (vi) above can be effected by the Share Award Plan Trustee.

- (viii) Period of the Share Award Plan

The Share Award Plan will remain in force for a period of 10 years commencing on the date on which the Share Award Plan is adopted.

- (ix) Lapse of awards

In the event that any Selected Employee ceases to be an Eligible Employee by virtue of a corporate reorganisation of our Group or the Invested Entity, any award made to such Selected Employee shall forthwith lapse and be cancelled.

If the Selected Employee ceases to be any Eligible Employee by reason of a termination of his employment with our Group or the Invested Entity for whatever reason other than his death or retirement in accordance with his contract of employment, an award made to such Selected Employee shall forthwith lapse and be cancelled. If any Selected Employee ceases to be an Eligible Employee by reason only of his death or retirement in accordance with his contract of employment, the awarded Shares which are set aside for him pursuant to an award shall be transferred to or vested in him or, as the case may be, his personal representative(s) in accordance with the Share Award Plan.

(x) Termination of the Share Award Plan

The Directors may by resolution at any time terminate the operation of the Share Award Plan and in such event no further awards shall be made provided that such termination shall not affect any subsisting rights of any Selected Employee in respect of any award made to him prior to such termination.

(xi) Rights are personal to the Selected Employees

An Award shall be personal to the Selected Employee and shall not be transferable or assignable.

(b) *Awards made under the Share Award Plan*

On 17th June, 2005, 579,699 Shares were awarded by our Company to Mr. Huang Kuo-Kuang, one of the executive Directors and an aggregate of 3,710,077 Shares were awarded to 14 employees of our Group under the Share Award Plan.

Pursuant to the rules of the Share Award Plan and the relevant condition of the above awards, the Share Award Plan Trustee shall vest these 4,289,776 Shares so awarded within 10 Business Days after the first Business Day immediately following the expiry of six month after the Listing Date. Under the Share Award Plan, the above executive Director and employees of our Group shall not have any right to receive any Shares awarded to them under the Share Award Plan and all other interest attributable thereto unless and until the Share Award Plan Trustee has transferred and vested the legal and beneficial ownership of such awarded Shares to and in them.

OTHER INFORMATION

15. Estate duty, tax and other indemnities

Each of Extrawell, Southern Asia, Mr. Cheng Li-Yu, Mr. Cheng Li-Yen and Mr. Horng Tsai-Chin (together, the "Indemnifiers") has entered into a deed of indemnity with and in favour of our Company (for ourselves and as trustee for each of our present subsidiaries) (being the material contract (f) referred to in paragraph 8 of this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of the death of any person and by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance) to any member of our Group on or before the date on which the Share Offer becomes unconditional. The Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands, the BVI, Samoa, Taiwan and the PRC.

Under the deed of indemnity, the Indemnifiers have also given indemnities to our Group on a joint and several basis in relation to the amount of any and all taxation falling on our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received or entered into or occurring up to the date on which the Share Offer becomes unconditional.

The deed of indemnity does not cover any claim and the Indemnifiers shall be under no liability under the deed of indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group up to 30th June, 2005; or
- (b) to the extent that such taxation falling on any member of the Group in respect of their accounting period commencing on 1st July, 2005 and ending on the date on which the Share Offer becomes unconditional, where such liability for such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of such members (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 30th June, 2005; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created after 30th June, 2005; or
- (c) to the extent that such claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or
- (d) to the extent of any provision or reserve made for taxation in the audited accounts of any member of the Group up to 30th June, 2005 and which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to this item (d) to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Our Group has leased various properties (collectively, the “Leased Properties” and each a “Leased Property”) in the PRC and Taiwan. Details of the Leased Properties and the relevant tenancy agreements are set out under items 10 to 15 in Group III and items 16 to 24 in Group IV in the letter, summary of values and valuation certificates set out in Appendix V to this prospectus. As advised by our PRC legal advisers, since the relevant tenancy agreements for the Leased Properties in the PRC have not been registered (and, in respect of item 11, may not have been registered) with the relevant PRC government authorities, the tenancy agreements are not enforceable against third parties and therefore third party having the requisite authority may have the right to evict our Group from the relevant Leased Properties. In addition, the ownership of the lessor of the staff quarters referred to under item 11 in Group III in the letter, summary of values and valuation certificates set out in Appendix V to this prospectus and the registration of the tenancy agreement cannot be ascertained. Consequently, our Group’s rights under such tenancy agreement in respect of the relevant Leased Property may not be legally protected under the relevant PRC laws.

Furthermore, as advised by our PRC legal advisers, since documents evidencing that the construction or use of the ancillary facilities (comprising canteen, boiler room and toilets) of the Leased Property referred to under item 12 in Group III in the letter, summary of values and valuation certificates set out in Appendix V to this prospectus have not been provided to the Group, if the relevant planning approval requirements in respect of the ancillary facilities of the Leased Property had not been complied with, the construction and use of these ancillary facilities by our Group may not be legally protected under the relevant PRC law. The relevant PRC building planning administration authority may demand for the demolition of these ancillary facilities and may impose a penalty for a sum ranging from approximately RMB187,000 to RMB937,000, being 20% and 100% of the construction cost of these ancillary facilities, respectively.

In addition, as the relevant property ownership documents or other relevant documents evidencing the ownership and right to lease of the relevant lessors of and that for the permitted usage of, the Leased Properties in Taiwan as set out under items 21 to 24 in Group IV in the letter, summary of values and valuation certificates set out in Appendix V to this prospectus have not been provided to our Group, our Taiwan legal advisers advised that if the lessors of the relevant Leased Properties in Taiwan were not the owners thereof or otherwise did not have the requisite rights to lease the relevant Leased Properties, third party having the requisite authority might have the right to evict our Group from the relevant Leased Properties. Our Group may not be able to continue to use the relevant Leased Properties in Taiwan for the current purposes if these purposes were adjudicated to be in contravention of the respective permitted usages of the relevant Leased Properties in Taiwan, and our Group may be subject to penalty ranging from NT\$60,000 to NT\$300,000 for each of such contravention.

Under the deed of indemnity, in the event that the relevant member of our Group is either (a) not being permitted to use or occupy or is being evicted from the relevant Leased Properties prior to the expiry of the term of the relevant tenancy agreements, (b) not permitted to use the relevant Leased Properties for the current purposes, (c) (in

respect of the Leased Property as set out under item 12 in Group III in the letter, summary of values and valuation certificates set out in Appendix V to this prospectus) required to demolish the relevant ancillary facilities, or (d) (in respect of the Leased Properties as set out under items 12, 21 to 24 in Group IV in the letter, summary of values and valuation certificates set out in Appendix V to this prospectus) imposed of any penalty for any non-compliance with the relevant planning approval requirements and/or the permitted usage of the relevant Leased Properties, solely for the reasons as set out in the preceding paragraph, each of the Indemnifiers has jointly and severally agreed to indemnify our Group against, where applicable, (i) any difference in rentals between any substitute premises and the relevant Leased Property for the remaining term of the relevant tenancy agreement payable by the relevant Group member; (ii) all such costs and expenses arising from the relocation of the relevant Group member's business and assets from the relevant Leased Property to the substitute premises and/or the demolition of the relevant ancillary facilities; (iii) all such costs or expenses in connection with the fitting out of the substitute premises for the purposes of rendering it fit to be used in the same manner and to the same extent as the relevant Leased Property; (iv) all operating and business losses which the relevant member of our Group may suffer howsoever arising from such relocation of its business from the relevant Leased Property to the substitute premises and (v) all penalties which the relevant member of our Group may suffer howsoever as a result of the contravention of the permitted usages of the relevant Leased Property in Taiwan and/or the non-compliance of the relevant planning approval requirements of the relevant Leased Property in the PRC.

None of the Indemnifiers shall be liable under the deed of indemnity if our Group is not permitted to use or prevented from using the relevant Leased Property or suffer an eviction from the relevant Leased Property if it is resulted from any one of the following reasons:

- (a) the expiry of the term of the relevant tenancy agreement or the sooner determination thereof in accordance with its terms;
- (b) the relevant Group member voluntarily surrenders the relevant Leased Property to the landlord/lessor thereof or otherwise voluntarily gives up possession or use of the relevant Leased Property or any part thereof;
- (c) the relevant Group member fails or refuses to perform its obligations under the relevant tenancy agreement pursuant to which it derives its right to occupy the Leased Property; and/or
- (d) the occurrence of any of the following calamities affecting the Leased Property, namely, fire, flood or earthquake, or the occurrence of any other event beyond the control of any of our Group members which renders the relevant Leased Property dangerous for use or occupation.

16. Litigation

Neither we nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against us or any of our subsidiaries.

17. Application for listing of Shares

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein including, the Offer Shares and any Shares which may fall to be allotted and issued pursuant to (a) the exercise of the Over-allotment Option; (b) the Capitalisation Issue; and (c) the exercise of options which may be granted under the Share Option Scheme, representing 10% of the Shares in issue on the Listing Date; and (d) the exercise of options granted under the Pre-IPO Share Option Scheme, on the Main Board.

18. Preliminary expenses

Our estimated preliminary expenses are approximately US\$2,650 (equivalent to HK\$20,670) and are payable by us.

19. Promoter

- (a) The promoter of our Company is Mr. Cheng Li-Yu.
- (b) Save as disclosed herein, within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter named in sub-paragraph (a) above in connection with the Share Offer or the related transactions described in this prospectus.

20. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
SinoPac Securities (Asia) Limited	Corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as set out in Schedule 5 to the SFO
Access Capital Limited	Corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as set out in Schedule 5 to the SFO

Name	Qualification
Ernst & Young	Certified public accountants
LCH (Asia-Pacific) Surveyors Limited	Chartered Surveyors
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	Qualified PRC lawyers
Huang & Chiang	Taiwan attorneys-at-law

21. Consents of experts

SinoPac Securities, Access Capital, Ernst & Young, LCH (Asia-Pacific) Surveyors Limited, Conyers Dill & Pearman, Jingtian & Gongcheng and Huang & Chiang have given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, valuation, letters or opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

22. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

23. Taxation of holders of Shares*(a) Hong Kong*

Dealings in Shares registered on our Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The Shares are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) and, accordingly, Hong Kong estate duty may be payable in respect thereof on the death of an owner of Shares.

(b) *The Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of us, the Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

24. Miscellaneous

Save as disclosed herein:

- (i) within two years preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and
 - (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (iii) the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30th June, 2005 (being the date to which the latest audited combined financial statements of our Group were made up); and
- (iv) the Directors confirm that our Group has complied with all relevant laws and regulations and has obtained all license, approvals and permits from appropriate regulatory authorities for our Group's business operations in all relevant jurisdictions.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE** and **YELLOW** Application Forms, the written consents referred to in the paragraph headed “Consents of experts” in Appendix VII to this prospectus, the statements of adjustments made by Ernst & Young in arriving at the figures set out in their accountants’ reports and giving their reasons thereof and copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix VII to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Chiu & Partners, 41st Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including 9th November, 2005;

- (a) our memorandum and articles of association;
- (b) such audited financial statements as have been prepared for each of Best Alliance, Everyday Computer, Suzhou Dazhi, Gi Li, Hempton and Ju Teng Electronics for each of the three years ended 31st December, 2004;
- (c) the accountants’ report, the text of which is set out in Appendix I to this prospectus and the related statement of adjustments;
- (d) the accountants’ report on financial information of Gi Li, the text of which is set out in Appendix II to this prospectus and the related statement of adjustments;
- (e) the letter relating to certain pro forma financial information of our Group, the text of which is set out in Appendix III to this prospectus;
- (f) the letters relating to the profit forecast of our Group, the texts of which are set out in Appendix IV to this prospectus;
- (g) the letter, summary of values and valuation certificate prepared by LCH (Asia-Pacific) Surveyors Limited, the text of which is set out in Appendix V to this prospectus;
- (h) the rules of the Share Option Scheme;

- (i) the letter of advice prepared by Conyers Dill & Pearman referred to in the section headed “General” in Appendix VI to this prospectus;
- (j) two Taiwan legal opinions issued by Huang & Chiang relating to our tax position and property interests in Taiwan;
- (k) three PRC legal opinions issued by Jingtian & Gongcheng relating to, among other matters, the due incorporations and subsistence of our PRC subsidiaries, our tax position and property interests in the PRC;
- (l) the transfer pricing analysis memorandum issued by Ernst & Young relating to our tax positions in Taiwan and the PRC;
- (m) the Companies Law;
- (n) the material contracts referred to in the paragraph headed “Summary of material contracts” of Appendix VII to this prospectus;
- (o) the written consents referred to in the paragraph headed “Consents of experts” of Appendix VII to this prospectus;
- (p) the rules of the Pre-IPO Share Option Scheme together with a list of the grantee who has been granted options under the Pre-IPO Share Option Scheme; and
- (q) the service contracts referred to in the paragraph headed “Particulars of Directors’ service contracts” of Appendix VII to this prospectus.