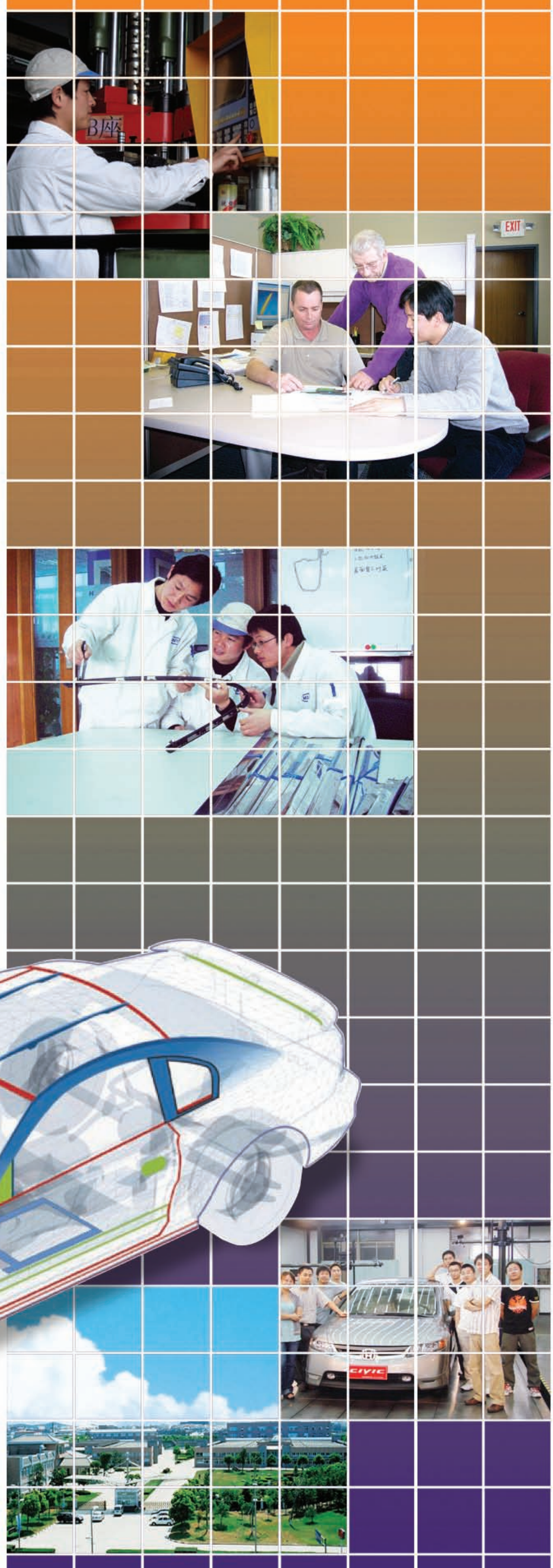
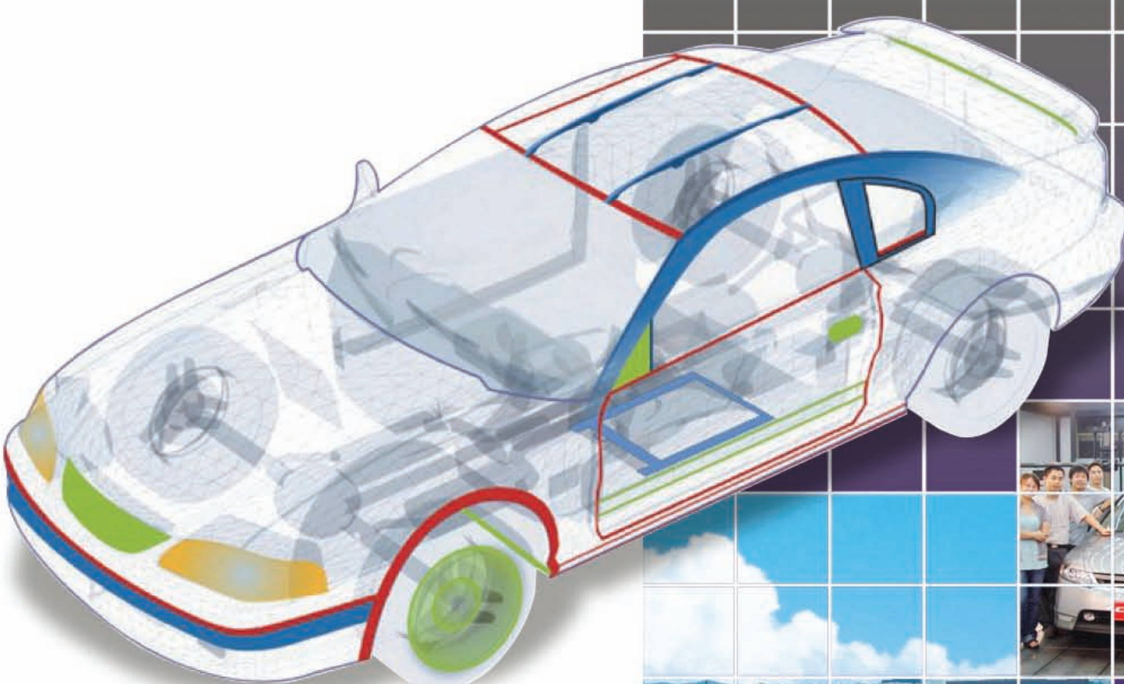
# MINTH
# 敏實集團

MINTH GROUP LIMITED
敏 實 集 團 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 425




Annual Report **2006**



# Mission

Creating value for customers
Creating opportunities for employees
Creating benefits for society
Creating profit for shareholders

# Vision

Endeavoring to become a global auto parts industry leader

# Values

Courtesy & Confidence
Care & Harmony
Practicality & Effectiveness
Innovation & Excellence

# Contents

# Corporate Information

## THE BOARD

### Executive directors

Chin, Jong Hwa
Shi, Jian Hui
Mu, Wei Zhong
Chin, Jung Huang
Zhao, Feng

### Non-executive director

Shaw Sun Kan, Gordon

### Independent Non-executive directors

Heng, Kwoo Seng
Wang, Ching
Zhang, Liren

## COMPANY SECRETARY

Liang, Current Tien Tzu

## REGISTERED OFFICE

Cricket Square,
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HEAD OFFICE IN CHINA

No.8, Dagang No.6 Road
Ningbo Economic and Technology
Development Zone,
Postal Code 315800
China
Tel: (86 574) 8680-1018
Fax: (86 574) 8680-1020
Website: www.minth.com.cn

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22nd Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

## PRINCIPAL BANKERS

Bank of China
Ningbo Development Zone sub-branch
21 Donghai Road
Ningbo Economic and Technology
Development Zone
China

Shanghai Pudong Development Bank
Ningbo Development Zone sub-branch
K1, Xiaogang Development Zone
Ningbo
China

China Construction Bank
Jiaxing branch
198, ZiYang Street
Jiaxing
China

China Merchants Bank
Chongqing Jiangbei sub-branch
No.1-2, 53 Yanghe Road Jiangbei District
Chongqing
China

Credit Suisse
23/F., Three Exchange Square
8 Connaught Road, Central
Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
ICBC Tower
3 Garden Road, Central
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

## AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road Central, Central
Hong Kong

## LEGAL ADVISERS TO THE COMPANY

*As to Hong Kong Law*
Paul, Hastings, Janofsky & Walker
22nd Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

*As to PRC Law*
T&C Law Firm
11/F, Block A
Dragon Century Square
1 Hangda Road
Hangzhou
China

*As to Cayman Islands Law*
Conyers Dill & Pearman
Century Yard, Cricket Square
Hutchins Drive, George Town
Grand Cayman, British West Indies

## STOCK CODE

SEHK Code: 0425

# Financial Highlights

| For the year ended December 31 | **2006 (RMB'000)** | 2005 (RMB'000) | **Increase** (%) |
|---|---|---|---|
| Turnover | **956,232** | 678,606 | 40.9 |
| Gross Profit | **376,397** | 271,965 | 38.4 |
| Net Profit attributable to equity holders of the Company | **268,701** | 195,067 | 37.7 |
| Cash flow from Operations | **235,820** | 231,882 | 1.7 |
| CAPEX | **179,743** | 152,218 | 18.1 |
| Common shares outstanding, at December 31 | **830,000,000** | 830,000,000 | |
| Employees, at December 31 | **2,607** | 1,841 | 41.6 |
| **Key Financial Ratios:** | | | |
| Current ratio | **2.6** | 2.7 | |
| Gearing ratio | **2.6%** | 16.4% | |
| Inventories turnover days | **86** | 94 | |
| Receivables turnover days | **64** | 80 | |
| Payables turnover days | **62** | 77 | |
| Earnings per share – basic | **RMB0.324** | RMB0.315 | 2.9 |

# Financial Summary

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | **2006** |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | **RMB'000** |
| **Result** | | | | | |
| Turnover | 311,761 | 298,776 | 464,178 | 678,606 | **956,232** |
| Profit before taxation | 85,245 | 105,279 | 151,009 | 210,287 | **289,589** |
| Taxation | (6,108) | (3,282) | (6,251) | (12,179) | **(14,483)** |
| Profit for the year | 79,137 | 101,997 | 144,758 | 198,108 | **275,106** |
| Attributable to: | | | | | |
| Equity holder of the company | 79,655 | 98,741 | 123,091 | 195,067 | **268,701** |
| Minority interests | (518) | 3,256 | 21,667 | 3,041 | **6,405** |
| | 79,137 | 101,997 | 144,758 | 198,108 | **275,106** |

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | **2006** |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | **RMB'000** |
| **Assets and Liabilities** | | | | | |
| Total assets | 406,909 | 686,983 | 834,934 | 1,407,136 | **1,490,854** |
| Total liabilities | (195,200) | (376,723) | (404,118) | (434,342) | **(273,691)** |
| | 211,709 | 310,260 | 430,816 | 972,794 | **1,217,163** |
| Equity attributable to equity holders of the company | 203,625 | 297,678 | 390,754 | 947,625 | **1,182,683** |
| Minority interests | 8,084 | 12,582 | 40,062 | 25,169 | **34,480** |
| | 211,709 | 310,260 | 430,816 | 972,794 | **1,217,163** |

*Note:* The Company was incorporated in the Cayman Islands on 22 June, 2005 and became the holding company of the Group on 30 June, 2005. The assets and liabilities for 2002, 2003, 2004 and 2005 have been prepared on a combined basis as if the current group structure had been in existence throughout those years and have been extracted from the Company's prospectus dated 22 November, 2005.

# Chairman's Statement

On behalf of the board of directors (the "Board"), I am pleased to announce to all our shareholders ("Shareholders") that Minth Group Limited (hereafter referred to as the Company, and with its subsidiaries collectively referred to as "Group") again achieved excellent results in this second year after the listing ("Listing") of shares ("Shares") on the main board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on 1 December, 2005 and that we have fundamantally completed the network in the domestic market and progressively set up the network in the overseas markets. I would attribute this year's success to: great efforts of the senior executives and all the staff and support and trust given by the Shareholders and business partners.

During the year 2006, the Company, based on its market value and negotiability, was announced as one of the constituents of Hang Seng Composite Index series and Hang Seng Freefloat Composite Index series.

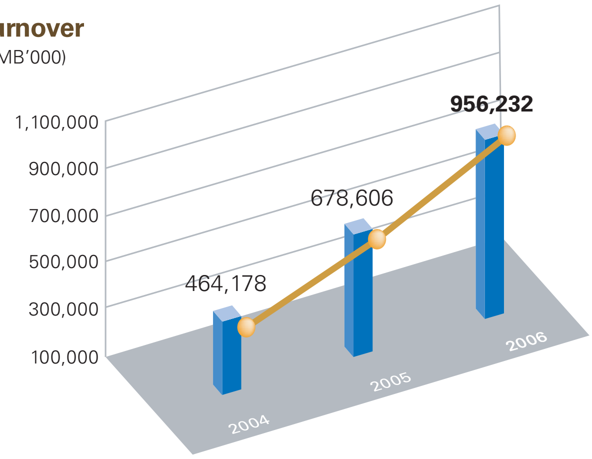
## FINANCIAL PERFORMANCE

The Company continued to grow rapidly in 2006: turnover amounted to RMB956,232,000, representing a growth of 40.9% from RMB678,606,000 in 2005.

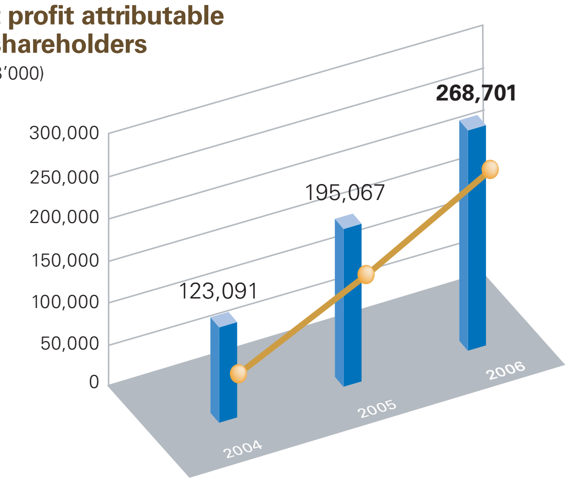
Gross profit also increased by 38.4% from RMB271,965,000 in 2005 to RMB376,397,000 in 2006. Profit margin decreased slightly at 39.4%.

Net profit attributable to the Shareholders amounted to RMB268,701,000, representing a growth of 37.7% from RMB195,067,000 in 2005.

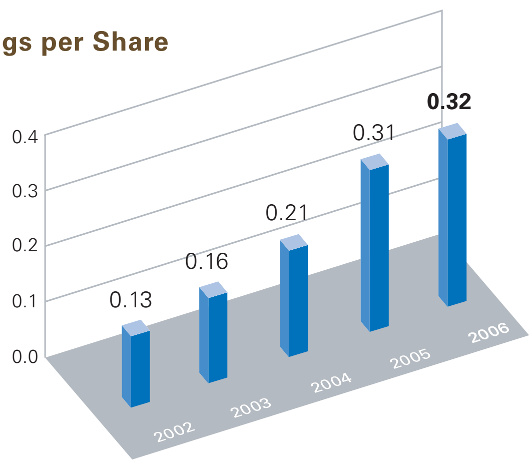
**Turnover**
(RMB'000)




**Net profit attributable to shareholders**
(RMB'000)




**Earnings per Share**
(RMB)



## REVIEW ON OPERATIONS

### Earnings exceeded expectations

During the year under review, the Group benefited from the rapid growth of the Chinese auto industry in 2006 after the recovery of the market in 2005. Meanwhile, the Group has obtained an outstanding performance in growth which was ahead of the market as a whole by virtue of the strengthening and enhancement of the comprehensive competitiveness in the Group's three core product categories, i.e. trims, decorative parts and body structural parts and the deepening of strategic network building. The Group achieved an increase of 37.7% in net profit attributable to shareholders when compared to 2005, which exceeded the previous operation prospects set forth by the management and the profit forecast of the Group.

### Fundamental completion of the network in the domestic market

During the year under review, the Group expanded investment in areas such as Jiaxing in China, considering the client relationship, location, consolidated investment costs and business pattern. The Group acquired the control of six subsidiaries which are to be engaged in key business such as the manufacture of core products, the design and manufacture of moulds, and extended business involving passenger car minor change design and accessory design by new set-ups and/or mergers and acquisitions, all by using internal resources.

During the year 2006, the Group further secured new tier 1 supplier licenses from the leading passenger car manufacturers in the PRC including Nanjing Ford, Guangzhou Toyota, FAW-Volkswagen, Chery Automobile, DPCA, and Beijing Hyundai, and so far has successfully leveraged on the development of structure of the PRC passenger car market, making itself tier 1 supplier for all the passenger car manufacturers within the PRC market. These achievements also demonstrated the Group's comprehensive capabilities in R&D, manufacturing and services in fulfilling the numerous and demanding requirements of diversified automakers including Japanese, European, American, South Korean, and Chinese automakers.

### Progressive set-up of the network in the overseas markets

The Group, with the establishment of offices in Tokyo, Japan and Detroit, USA, will leverage on the opportunities of concurrent design assignments brought by US clients in building up a concurrent design team. At the same time, by leveraging on the overseas mergers and investment opportunities in overseas businesses, the Group will invest more resources in managing the cooperation between overseas business divisions with other relevant divisions within the Group.

I believe such network as fundamentally completed and progressively established in both domestic and overseas market will affect positively the Group's business and is expected to attribute to the financial performance of the Group in the coming years.

# Chairman's Statement

### Enhancement in consolidated capability of R&D

For the financial year ended 31 December, 2006, the Group continued to put great efforts in enhancing the comprehensive R&D capabilities with the major objectives of professionalizing the technique and expanding the production in plastic injection mould, stamping dies and surface treatment; in terms of products, the Group put more emphasis on improving the concurrent design capability in decorative parts and body structural parts as well as building up of relevant design teams. In addition, the Group's R&D was extended to interrelated business such as minor change design and accessory design.

The Group believes that R&D capability contributed first and foremost to the Group's perpetual developments. It will also constitute the core competitiveness of the Group in sustaining leadership in future.

### Open communication channels with investors

The Company has set up a professional team that is dedicated to open communication channels with Hong Kong and international investors, so as to ensure that investors receive timely and accurate information on the latest developments of the Company.

## FUTURE PROSPECT

The PRC passenger car market grew rapidly in 2006, with an increase of 32.76% in production and 30.02% in sales respectively over last year. The market is expected to maintain the favorable development in the years to come by virtue of China's macro economic growth, encouraging industrial policies, and the increase of massive consumption.

The Group will continue to implement its client selection, research and development, centralized procurement, interactive approach with its suppliers, and stringent production management and system standards to further strengthen its comprehensive competitiveness and consolidate its leading position in the market, bending itself to the target of being an all-around exterior auto-parts supplier who is able to provide various clients worldwide with design, manufacture and after-sales services.

In the years to come, the Group will, based on the market and targeted clients' direction and for the best interests of all the shareholders of the Company, seek appropriate M&A opportunities in both domestic and overseas market to strengthen the Group's competitiveness.

## ACKNOWLEDGMENT

On behalf of the Board and the management team, I would like to thank all our managers and staff for their diligent services. We also want to thank all the shareholders who have extended to us their trust and support. We believe that with the cooperation and support of all, we will create and deliver greater value for our investors in the future.

**CHIN JONG HWA**
*Chairman*
14th April 2007

# Management Discussion and Analysis

## INDUSTRY OVERVIEW

During the financial year under review, the Group continued to focus on the design, manufacture and sales of trim, decorative parts and body structural parts for passenger cars both in the PRC and the overseas market. The PRC passenger car market grew rapidly in 2006, with approximately 5,233,100 units in production and 5,176,000 units in sales, representing an increase of 32.76% and 30.02% respectively over last year, whereas the overseas markets continued to maintain a stable growth.

For the year under review, the fluctuation in relevant raw materials supply has dampened whereas the passenger car market remained competitive and the requirements regarding the manufacturing technology of auto-parts manufacturers, quality and cost control capabilities became stringent.

During the financial year under review, the Group continued to implement its client selection, research and development, centralized procurement, interactive approach with its suppliers, and stringent production management and system standards, and therefore was able to promote the sales and network in overseas markets and complete a fundamental network in the domestic market accompanying the development of the domestic market itself. By making these efforts, the Group was able to further consolidate its strong and leading position in the domestic market and benefited from the rapid growth of the market.

## COMPANY OVERVIEW

### Business and market network

During the year 2006, the Group further secured new tier 1 supplier licenses from the leading passenger car manufacturers in the PRC including Nanjing Ford, Guangzhou Toyota, FAW-Volkswagen, Chery Automobile, DPCA, and Beijing Hyundai, and so far has successfully leveraged on the development of structure of the PRC passenger car market, making itself tier 1 supplier for all the passenger car manufacturers within the PRC market. These achievements also demonstrated the Group's comprehensive capabilities in R&D, manufacturing and services in fulfilling the numerous and demanding requirements of diversified automakers including Japanese, European, American, South Korean, and Chinese automakers.

During the year 2006, the Group acquired the control of six subsidiaries by new set-ups and/or mergers and acquisitions, by using internal resources. The Group established four affiliates with its partners during the same period. Furthermore, the Group entered into arrangements of selling a part of equity interests in its subsidiary Tianjin Shintai Automobile Parts Co., Ltd. and acquiring the equity interests in its subsidiary Chongqing Changtai Automobile Spare Parts Co., Ltd. held by its partner, making Chongqing Changtai Automobile Spare Parts Co. Ltd. a wholly-owned subsidiary.

In the coming financial year, the Group expects to set up several more joint-ventures or wholly-owned subsidiaries in areas such as Changchun and Jiaxing.

# Management Discussion and Analysis

The above-mentioned companies will be engaged in key business including the manufacture of core products, the design and manufacture of moulds, and extended business involving passenger car minor change design and accessory design; the Group will also start in the investment management and resource rationalization in the automobile parts industry. The Group believes such new set-ups, disposal and acquisitions will benefit the Group in promoting its comprehensive technology development capabilities, expanding and consolidating client resources, establishing the PRC domestic market network and enhancing the management efficiency.

During the year under review, the Group's business grew steadily in the overseas markets including North America, Europe, Australia, and Japan, and successfully secured contracts for certain passenger cars and/or concurrent design assignments in these areas with major automakers such as General Motors North America, CAMI in Canada, SAAB in Sweden, General Motors and Ford in Australia and Nissan in Japan. More importantly, the Group initiated the reorganization of internal resources based on overseas business experience and clients' requirements to build up an efficient marketing team, which would fulfill different requirements from diversified clients and implement various functions such as client response, project management, and information support. At the same time, by leveraging on the overseas mergers and investment opportunities overseas, the Group will invest more resources in managing the cooperation between the overseas business divisions with other relevant divisions within the Group.

The Group has also set up offices in Tokyo, Japan and Detroit, USA. The Group will leverage on the opportunities of concurrent design assignments brought by US clients in building up a concurrent design team. These offices will focus on quick response and after-sales services in our overseas markets and at the same time, the Group will pursue business opportunities along with some of its partners to establish a multi-channel sales network.

## Research and development

The Group believes R&D capability contributed first and foremost to the Group's perpetual developments. It will also constitute the core competitiveness of the Group in sustaining leadership in future.

For the financial year ended 31 December, 2006, the Group continued to put great efforts in enhancing the comprehensive R&D capabilities by more investment and the R&D expenditures of the year 2006 increased by 25.2% compared with 2005. For the financial year ended 31 December, 2006, in terms of R&D, our major objectives were to professionalize the technique and expand the production in plastic injection moulds, stamping dies and surface treatment; in terms of products, the Group put more emphasis on improving the concurrent design capability in decorative parts and body structural parts as well as building up of relevant design teams. In addition, the Group's R&D was extended to interrelated businesses such as minor change design and accessory design, based on which the Group re-organized the internal resources and workload system of its design team. It also achieved progress in the R&D of its core products and other new product categories including the electric sliding door project which has entered into the testing phase and is expected to be taken into commercial operation should the timing be right.

For the financial year 2006, the Group submitted 39 patent applications in the PRC which were accepted by China Patent Bureau for examination and approval. Among these, 20 were approved and granted.

## RESULTS

During the period under review, the Group achieved sound growth results in turnover and profit attributable to the shareholders.

In 2006, consolidated turnover of the Group was RMB956,232,000, representing an increase of approximately 40.9% compared to RMB678,606,000 in 2005. This was mainly due to the continuous expansion of the Group in new markets as well as the consolidation in existing markets.

Profit attributable to shareholders of the Company was RMB268,701,000, representing an increase of approximately 37.7% compared to RMB195,067,000 in 2005. This was mainly due to the Group's focus on costs and expenses control when there was continuous turnover growth, and this in turn resulted in the Group's stable profit margin.

## PRODUCT SALES

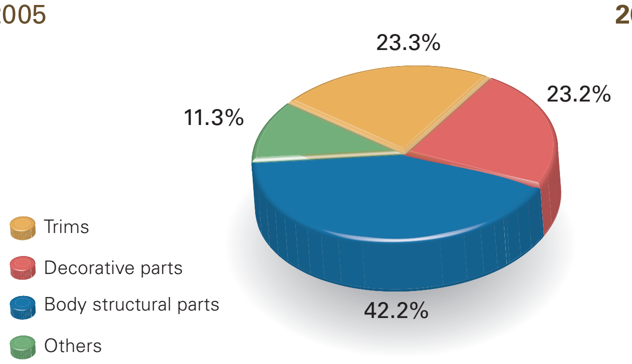
In 2006, the Group continued to focus on the production of its three core product categories and products were mainly sold to the factories of the world's leading automakers.

Turnover analysis by product category is as follows:

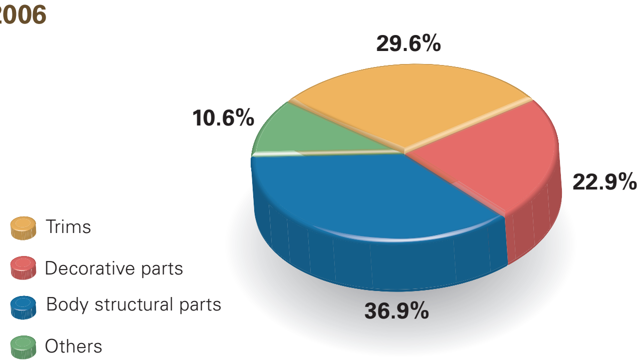
| | 2004 | | 2005 | | **2006** | |
|---|---|---|---|---|---|---|
| **Product category** | RMB'000 | % | RMB'000 | % | **RMB'000** | **%** |
| Trims | 127,500 | 27.5 | 158,464 | 23.3 | **283,346** | **29.6** |
| Decorative parts | 63,119 | 13.6 | 157,691 | 23.2 | **219,190** | **22.9** |
| Body structural parts | 169,529 | 36.5 | 286,271 | 42.2 | **353,194** | **36.9** |
| Others *(Note)* | 104,199 | 22.4 | 76,411 | 11.3 | **101,252** | **10.6** |
| Total | 464,347 | 100 | 678,837 | 100 | **956,982** | **100** |
| Less: Sales tax | (169) | | (231) | | **(750)** | |
| Total Turnover | 464,178 | | 678,606 | | **956,232** | |

*Note: Includes PVC, moulds, headliner and others*

### 2005




### 2006



# Management Discussion and Analysis

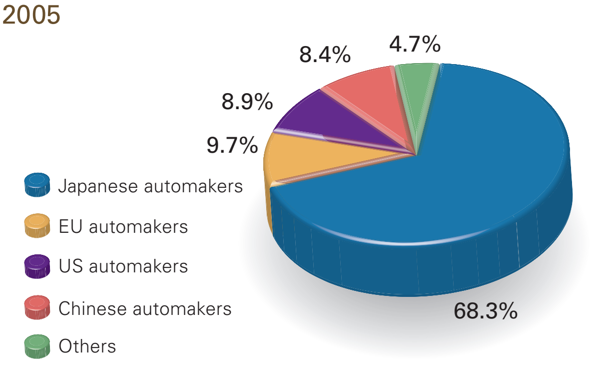
The Group has continued to expand the production of its core product categories. In 2006, the three core product categories achieved a turnover of RMB855,730,000, in which the turnover of trims, decorative parts, and body structural parts of passenger cars were RMB283,346,000, RMB219,190,000, and RMB353,194,000 respectively, or a proportion of 29.6%, 22.9% and 36.9% respectively. The proportion of core product categories to the total turnover was 89.4%, representing an increase of approximately 0.7% from 2005.

Turnover by regions based on client source/headquarters locations is as follows:

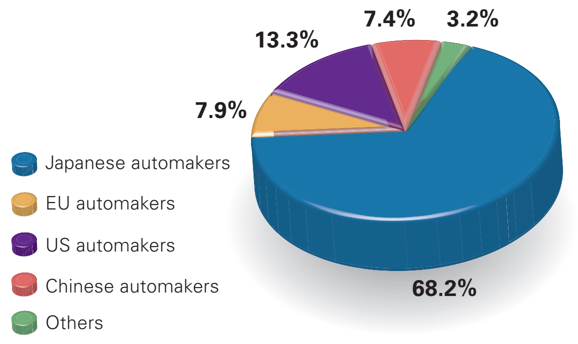
| | 2004 | | 2005 | | **2006** | |
|---|---|---|---|---|---|---|
| **Customer category** | RMB'000 | % | RMB'000 | % | **RMB'000** | **%** |
| Japanese automakers | 303,100 | 65.3 | 463,782 | 68.3 | **653,056** | **68.2** |
| EU automakers | 21,479 | 4.6 | 66,152 | 9.7 | **75,751** | **7.9** |
| US automakers | 25,722 | 5.5 | 60,546 | 8.9 | **127,730** | **13.3** |
| Chinese automakers | 39,477 | 8.5 | 56,892 | 8.4 | **70,687** | **7.4** |
| Others *(Note)* | 74,569 | 16.1 | 31,465 | 4.7 | **29,758** | **3.2** |
| Total | 464,347 | 100 | 678,837 | 100 | **956,982** | **100** |
| Less: Sales tax | (169) | | (231) | | **(750)** | |
| Total turnover | 464,178 | | 678,606 | | **956,232** | |

*Note:* Others denote clients using non-direct auto spare parts products of the Group.

## 2005




## 2006

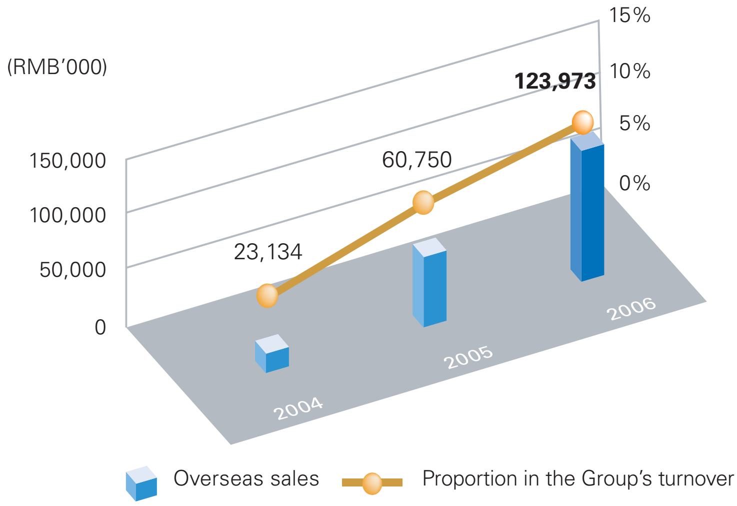


In 2006, Japanese automakers accounted for a turnover of RMB653,056,000 or 68.2% of the total turnover, representing a decrease of approximately 0.1% as compared to 2005. EU automakers accounted for a turnover of RMB75,751,000 or approximately 7.9% of the total turnover with a decrease of approximately 1.8% as compared to 2005. US automakers accounted for a turnover of RMB127,730,000 or approximately 13.3% of the total turnover and representing an increase of approximately 4.4% as compared to 2005. Chinese automakers accounted for a turnover of RMB70,687,000 or 7.4% of the total turnover, representing a decrease of approximately 1.0% as compared to 2005.

Overseas sales:

During the period under review, the Group's turnover from overseas markets was approximately RMB123,973,000, representing an increase of approximately 435.9% and 104.1% respectively as compared to 2004 and 2005, with the proportion in the Group's total turnover increasing to approximately 13% in 2006 from approximately 5% in 2004 and approximately 9% in 2005.

| | 2004 | | 2005 | | **2006** | |
|---|---|---|---|---|---|---|
| | RMB'000 | % | RMB'000 | % | **RMB'000** | **%** |
| Overseas sales | 23,134 | 5 | 60,750 | 9 | **123,973** | **13** |



# Management Discussion and Analysis

## COST OF GOODS SOLD

The cost of goods sold in 2006 was RMB579,835,000 with direct materials, direct labor and overheads accounting for approximately 68.1%, 5.7% and 26.2% respectively. The cost of goods sold in 2005 totaled RMB406,641,000 with direct materials, direct labor and overheads accounting for approximately 68.2%, 4.5% and 27.3% respectively.

## GROSS PROFIT

The gross profit for the financial year ended 31 December, 2006 amounted to RMB376,397,000, representing an increase of approximately 38.4% as compared to approximately RMB271,965,000 in 2005. The gross margin decreased slightly by 0.7% from approximately 40.1% in 2005 to approximately 39.4% in 2006. The gross profit margin remained fairly stable because the negative effects of falling prices were offset by sourcing local raw materials and the launching of new products.

## OTHER INCOME

Other income amounted to RMB28,440,000 in 2006, increased by approximately 20.8% from RMB23,545,000 in 2005.

## DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses amounted to RMB31,777,000 in 2006, an increase of approximately 106.3% from RMB15,402,000 in 2005. This was attributed to the increase in export sales which required correspondingly more logistics expenses and efforts in developing new markets, especially overseas markets as well as the increase in the number of staff, wages and travel expenditure.

## ADMINISTRATIVE EXPENSES

Administrative expenses amounted to RMB99,163,000 in 2006, an increase of RMB26,708,000 from RMB72,455,000 in 2005. This was attributed to the expanded scale of the Group's operations, the increase in the number of administrative staff, and improvement of welfare and benefits.

## INTEREST ON BANK BORROWINGS

The Group's interest on bank borrowings for 2006 was approximately RMB2,827,000, a decrease of RMB6,261,000 from RMB9,088,000 in 2005. This was attributed to the decrease of bank loans as the Group has sufficient overall funding since its listing.

## TAXATION

The Group's taxation increased from approximately RMB12,179,000 in 2005 to approximately RMB14,483,000 in 2006, representing an increase of 18.9%. The effective tax rate decreased from 5.8% for 2005 to approximately 5.0% for 2006, which was due to the rapid growth of the two subsidiaries of the Group in 2006 which were still enjoying the tax-free period and the share of the Group's profit in these two companies increased from approximately 24.5% in 2005 to approximately 38.3% in 2006.

## PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE GROUP

Profit attributable to the shareholders for 2006 was about RMB268,701,000, an increase of approximately 37.7%, as compared to RMB195,067,000 in 2005. The net profit margin in 2006 was approximately 28.1%, a slight decrease of approximately 0.6% from 28.7% in 2005.

## MINORITY INTERESTS

The Group's minority interests for 2006 amounted to about RMB6,405,000, an increase of 110.6% from RMB3,041,000 in 2005. The principal reason was that a minority shareholder of a subsidiary (Guangzhou Minhui Automobile Parts Co. Ltd) had accepted the payment by the Group and given up all the dividends distribution in 2005 whereas in 2006 it took dividend in the form of fixed distribution in profit.

## DIVIDENDS

Dividends declared by the Group were RMB27,519,000 for 2006. A final dividend of HKD0.097 per ordinary share of the Company is proposed, amounting to approximately HKD80,510,000.

## FINANCIAL DATA

Cash and bank balances decreased from RMB465,540,000 for the financial year ended 31 December, 2005 to RMB232,071,000 for the financial year ended 31 December, 2006. During the year under review, the cash outflow was mainly attributed to the expansion of operation scale, productivity enhancement, increasing production facilities of the Group and investments to consolidate and develop its strategic alliance.

Current ratio decreased from 2.7 in 2005 to 2.6 in 2006.

Inventories turnover days reduced to 86 days in 2006 from 94 days in 2005, mainly due to the Group's improved inventory control.

Due to the Group's increased control on accounts receivable, receivables turnover days reduced from 80 days in 2005 to 64 days in 2006.

The payables turnover days reduced to 62 days in 2006 from 77 days in 2005, which is mainly due to our refusal to the price increase in raw materials and acceptance to the shortening of the credit period to obtain better commercial terms with its current suppliers as the suppliers were requesting for price increase due to the increase of raw material costs.

*Note:* The computation methods of above indices are same as those set out in the prospectus of the company dated 22 November, 2005.

In general, the Group will closely monitor its liquidity to ensure a rational capital structure.

# Management Discussion and Analysis

## COMMITMENTS

As at 31 December, 2006, the Group had the following commitments:

| | RMB'000 |
|---|---|
| Operating lease arrangements | 2,575 |
| Capital commitments | 55,638 |

Operating lease arrangements refer to minimum rental payments on land lease commitments. Capital commitments refer to contracts signed on purchases of property, plants and equipment, and agreed investments in jointly controlled entities which had not been recognized as the Group's assets as at the end of the financial year ended 31 December, 2006.

## INTEREST RATE AND FOREIGN EXCHANGE RISKS

Majority of the Group's sales and procurements are calculated in Renminbi ("RMB"). With the expansion of the overseas operation, the management is closely monitoring the foreign currency risk and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December, 2006, the Group's bank loan balance was about RMB38,154,000 all with fixed interest rate.

## CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December, 2006.

## CAPITAL EXPENDITURE

During the year 2006, the Group's investment in property, plant and equipment, construction in progress and land use rights amounted to RMB179,743,000. These capital expenditures were attributed to the expansion of its production facilities in order to meet increasing demands from clients.

## EMPLOYEE AND REMUNERATION POLICIES

As at 31 December, 2006, the Group had 2,607 employees, an increase of 766 from 2005. The total employee costs in 2006 accounted for 10.7% of the Group's total turnover, an increase of approximately 1.1% from 2005.

The Group provides employees with social benefits such as medical treatment insurance and pension according to our human resources administration policy.

A major subsidiary of the Group was OHSAS 18001 certified, which will help to improve the employees' occupational health and safety.

# FUTURE DEVELOPMENT

## Market

Following a recovery growth in 2005, the Chinese passenger car industry demonstrated a strong and rapid boost in 2006. As a result of the overall economic growth in China and the industry directions and policies that encourage product localization, industry rationalization and export expansion, the two main characteristics of Chinese automobile industry, fierce market competition and highest growth rate in the world, will remain unchanged in the years to come.

## PRC policy environment

In the year to come, the Chinese automobile industry will continue to be directed by "Automobile Industry Development Policy" promulgated by China National Development and Reform Commission in 2004 and the "Notice on Accelerating Structural Adjustment on Industries with Excessive Production Capacity" promulgated by the State Council of China in March 2006 as guidelines. The Group believes that these policies will be the directions in encouraging product localization, local brand building, industry rationalization and export expansion which fit well with the developing strategy of the Group.

PRC has recently published on 16 March, 2007 the new Enterprise Income Tax Law ("New Tax Law"), which will take effect on 1 January, 2008. Subject to this Law, both the domestic and foreign-invested companies will enjoy the same tax rate of 25%. Meanwhile, the "Tax Holidays" currently enjoyed by foreign-invested companies will remain effective for a certain period ("Transitional Arrangement"). The State Council is authorized to make by-laws and regulations concerning the implementation of this Law and Transitional Arrangement. However, such by-laws and regulations have not been promulgated.

Most members of the on Group are PRC foreign-invested enterprises and therefore will enjoy the Transitional Arrangement after the Law takes effect on and after 1 January, 2008. As a result, it will affect slightly the Group's consolidated taxation in short term, however, the long-term consolidated tax rate may increase accordingly. The Group has planned and prepared in advance to reduce the negative impact as much as possible.

# OUTLOOK

The Group believes that by leveraging on the domestic market network fundamentally completed in 2006 as well as the utilization of the resources of both domestic and foreign clients, it will benefit greatly from persevering in the strategies of client selection, R&D capability improvement, centralized procurement, interactive approach with its suppliers, and stringent production management and system standards, which are expected to attribute to the financial performance of the Group in the coming years.

# Directors and Senior Management

## DIRECTORS

### Executive Directors

**Chin Jong Hwa (秦榮華)**, aged 49, Chairman and an Executive Director of the Company. He founded the Group in March 1997 and is the controlling shareholder of the Company. Mr. Chin graduated from China Urban Administration College. He has an experience of over 20 years in management in the auto-parts industry and has been leading the management team since the founding of the Group. Mr. Chin is also active in various other organisations, including being a member of the Ningbo People's Political Consultative Conference since 2003, Vice-Chairman of Ningbo Association of Enterprises with Foreign Investments, and a director of the Ningbo Vocational Technical College. Mr. Chin was awarded the title of Ningbo Honorary Citizen in 1999. He was appointed as a Director of the Group on 14 July, 2005. Mr. Chin is a director of Linkfair Investments Limited and Acemind Industrial Limited, each of which has an interest in the Company which falls to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Future Ordinance.

**Shi Jian Hui (石建輝)**, aged 35, Chief Executive Officer (CEO) and an Executive Director of the Company. Mr. Shi graduated from Zhejiang University of Technology where he majored in the design and manufacture of machines. He has an experience of over 13 years in the Chinese auto-parts industry since he joined one of Mr. Chin's companies in 1993. Prior to his current position as CEO, he assumed responsibility as General Manager of Operations (including leading both overseas and domestic business departments), head of the R&D Centre and was in charge of human resources departments for the Group as a whole. Currently, he is enrolled in an EMBA program offered by the Cheung Kong School of Business. Mr. Shi joined the Group in March 1997 and was appointed as a Director on 14 July, 2005.

**Mu Wei Zhong (穆偉忠)**, aged 42, Vice President and an Executive Director of the Company. Mr. Mu has an experience of over 20 years in engineering. Before joining one of Mr. Chin's companies in 1993, he worked at Zhejiang Shipyard as an assistant engineer. Prior to his current position as Vice President, he was in charge of the Group's overseas business and operations and before that served in various members of the Group as member of the production management team, sales manager, deputy manager, financial controller and general manager successively. Mr. Mu graduated from the Wuhan University of Water Transportation Engineering with a degree in vessel design and manufacture. He is currently enrolled in an EMBA program offered by the School of Management, Fudan University. Mr. Mu joined the Group in March 1997 and was appointed as a Director on 14 July, 2005.

**Chin Jung Huang (秦榮煌)**, aged 40, Vice President and an Executive Director of the Company and general manager of Jiaxing Minhui, one of the Group's subsidiaries in Jiaxing, China. Prior to joining the Group in 2001, Dr. Chin was a manager of a US-Taiwan joint venture company located in Taiwan from 1997 to 2001. Since joining the Group, he was general manager of the Technical Centre in Ningbo before assuming his current responsibilities. Dr. Chin obtained his PhD. from National Tsing Hua University in Taiwan in 1997, majoring in materials science and engineering. He is the cousin of Mr. Chin Jong Hwa and was appointed as an Executive Director on 14 July, 2005.

**Zhao Feng (趙鋒)**, aged 38, Vice President and an Executive Director of the Company with overall responsibility for the Group's sales. Mr. Zhao has an experience of over 10 years in business management. Prior to joining the Group in 1999, Mr. Zhao was a technology supervisor, a purchase officer and an assistant general manager for another Chinese manufacturer. Since joining the Group, Mr. Zhao has worked successively as a purchase officer, manager of the business department and deputy general manager of business operations. Mr. Zhao joined the Group in March 1999 and was appointed as a Director on 22 December, 2006.

## Non-executive Director

**Shaw Sun Kan, Gordon (蕭宇成)**, aged 42, a Non-executive Director of the Company. Mr. Shaw has worked in private equity area for more than 14 years which has furnished him with a broad variety of experiences in the finance industry across Asia. Prior to joining Baring Private Equity Asia Limited in 1999, he was a director at AIG Investment Corp (Asia) Ltd. and head of Equity Investment Department at Nan Shan Life Insurance in Taiwan. Prior to that, Mr. Shaw was with Citibank in Hong Kong and, before that, a Senior Design Engineer at Schlumbereger Technologies in San Jose, California. Mr. Shaw was previously a director of Tingyi (Cayman Islands) Holding Corp. and is presently a director of DVN (Holdings) Limited, both being companies listed on the Stock Exchange. He was also a corporate representative of a corporate shareholder of Depo Auto-Parts Industrial Co., Ltd. (''Depo''), a company listed on the Taiwan Stock Exchange. Mr. Shaw is a Fellow of Life Office Management Association (LOMA) and is a type 4 securities adviser registered with the SFC. He holds a Bachelor's degree of Science in Electrical Engineering from Massachusetts Institute of Technology, and a Master's degree of Business Administration from Columbia University. Mr. Shaw was nominated by Baring Private Equity Asia to represent it as one of the substantial shareholders of the Company. He joined the Group as a Director on 15 July, 2005.

## Independent Non-executive Directors

**Heng Kwoo Seng (邢詒春)**, aged 59, an Independent Non-executive Director of the Company. He is a partner of Morison Heng, Certified Public Accountants in Hong Kong. He is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He has worked with a number of companies listed on the Stock Exchange either in the capacity of company secretary or as an independent non-executive Director. He was also an independent non-executive Director of Rexcapital Financial Holdings Limited (until 14 September, 2004), Matrix Holdings Limited (until 30 September, 2004) and the Thai-Asia Fund Limited (until 27 January, 2006), the Thai Asset Fund Limited (until 13 March, 2006). He is currently an independent non-executive director of China Fire Safety Enterprise Group Holdings Limited, Lee and Man Holding Limited, Lee & Man Paper Manufacturing Limited, Soundwill Holdings Limited, SIM Technology Group Ltd., Tack Fat Group International Ltd, Winfair Investment Company and SCUD GROUP LIMITED Ltd., all of which are companies listed on the Stock Exchange. He joined the Company as an Independent Non-executive Director in October 2005 and was renominated on 1 December, 2006.

# Directors and Senior Management

**Wang Ching (王京)**, aged 51, an Independent Non-executive Director of the Company. Mr. Wang obtained his Ph.D. in Finance from Columbia University in the city of New York. Dr. Wang has gained his experience in banking and finance from assuming various senior positions such as Chief Executive of Proprietary Trading Group for Jih Sun Financial Holding Co. Ltd. in Taiwan, Managing Director of Jih Suh Cresvale International Ltd. in Hong Kong, Managing Director of SinoPac Securities Asia Ltd. in Hong Kong, Director of Investment Banking Department at Standard Chartered Bank Hong Kong and Deputy Director of Bear Stearns and Co. Inc. New York. Dr. Wang currently is Associate Professor and Managing Director of Venture Capital and SME Center, Global Management Education Institute, Shanghai University. He has served as an Independent Non-executive Director for Minth Group since October 2005 and was renominated on 1 December, 2006.

**Zhang Liren (張立人)**, aged 60, is an Independent Non-executive Director of the Company. He has an experience of over 39 years in the automobile, electronic and mechanical industry. He is an Executive Director of Shanghai General Motors Corporation Limited specializing in the area of vehicle Platform. He is also the General Executive Engineer of Pan Asia Auto Technology Centre. Prior to his current position, he was the director of Business Planning & Development and senior manager of the quality control department in Shanghai General Motors Corporation Limited. He was also the deputy chief engineer of Shanghai Auto Industry Technology Centre and a research officer in the Computer and Equipment Department in Shanghai Auto Research Institute. He joined the Company as an Independent Non-executive Director in October 2005 and was renominated on 1 December, 2006.

## SENIOR MANAGEMENT

**Liang Current Tien Tzu (梁天柱)**, aged 50, the Company Secretary and Qualified Accountant. Mr. Liang has an experience of over 20 years in accounting and corporate finance and has held senior positions in various companies, including Vice President of the Corporate Development and Finance Department of China Motion Telecom International Limited, a company listed on the Stock Exchange, and CFO of New World Services Co., Ltd. Mr. Liang holds a Bachelor's degree in Commerce from Concordia University in Canada. He was an investment adviser registered with the SFC, a Chartered Accountant, a member of the Canadian Institute of Chartered Accountants, and a Fellow of Hong Kong Institute of Certified Public Accountants. He resigned as Director and CFO of the Group on 22 December, 2006 and continues to assume the responsibilities of Directorate Secretary and Qualified Accountant of the Group.

**Bao Jianya (包建亞)**, aged 35, CFO of the Company. Ms. Bao graduated from Shanghai University of Finance & Economics in 1993 where she majored in international accounting. She has an experience of over 13 years in accounting and financial management. Prior to joining the Group in March 2005, she was the financial controller of another Chinese manufacturer. She was nominated as CFO of the Group on 22 December, 2006.

**Soo Cheng-Yu (蘇正宇)**, aged 55, General Manager of both Guangzhou Minhui Automobile Parts Co., Ltd. and Guangzhou Minrui Automobile Parts Co., Ltd, the Group's subsidiaries in Guangzhou, China. He has an experience of over 29 years in purchase, car manufacturing and auto-parts related business. Prior to joining the Group in March 2004, Mr. Soo was a head officer in a car assembly plant and a factory manager of an auto-parts manufacturer in charge of manufacture technology. He served as a special assistant of another domestic manufacturer and associate-general manager of a Taiwanese auto-parts manufacturer.

**Luo Ning (駱凝)**, aged 38, in charge of the Group's Purchasing Centre. Ms. Luo joined one of Mr. Chin's companies in 1993 as secretary to the general manager and thereafter served successively as manager and assistant to the general manager of two companies which were predecessors of the Group. Ms. Luo has an experience of over 8 years in purchase management.

**Yu Yueping (俞岳平)**, aged 48, Head Officer of the R&D Department. Mr. Yu graduated from Zhejiang University majoring in precision machinery. He also holds a Master's degree offered by the No. 1 Research Institute of the Ministry of Aerospace Industry. Prior to joining the Group in 1999, he was Chairman of the Mechanical Engineering Department, Ningbo University. He also used to be the deputy general manager and general engineer of another Chinese manufacturer.

**Hsieh Cheng-Hsien (謝政憲)**, aged 40, General Manager of the Group's Technical Centre. Mr. Hsieh joined the Group in May 2004. Prior to joining the Group, he spent ten years at Taiwan CAC (CHINESE AUTOMOBILE CO., LTD.) with responsibilities for supplier management and product development, two years with General Motors in Taiwan in charge of global purchasing and two years at Brilliance China Automotive Holdings Limited taking responsibility for the purchasing system and planning.

**Xiang Yang (向陽)**, aged 38, General Manager of Chongqing Changtai Automobile Spare Parts Co., Ltd, one of the Group's Chinese subsidiaries. Prior to joining the Group in 1995, Mr. Xiang worked in the Thermo Design Office of Chongqing Central Iron and Steel Designing Institute. He then joined the Group and successively served as development engineer, administration manager and business manager.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICE

The Group commits to maintaining and ensuring a high level of corporate governance standards and continuously reviews and improves our corporate governance and internal controls practices. Set out below are the principles of corporate governance as adopted by the Company during the financial year under review.

## DISTINCTIVE ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Mr. Chin Jong Hwa, the Chairman of the Board, is responsible for leading the Board in establishing and monitoring the implementation of strategies and plans to create values for shareholders. Mr. Shi Jian Hui, the CEO, is responsible for managing the operation of the Group's businesses, proposing strategies to the Board and the effective implementation of the strategies and policies adopted by the Board.

## THE BOARD

As of 31 December, 2006, there are nine members on the Board, which are the Chairman, the CEO, three other Executive Directors, one Non-executive Director (''NED'') and three Independent Non-executive Directors (''INEDs'').

The INEDs are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the INEDs brings his own relevant expertise to the Board and its deliberations.

None of the INEDs has any business or financial interests with the Group nor has any relationship with other Directors and confirmed their independences to the Group.

The Board met regularly during the year and on ad hoc basis as required by business needs. The Board's primary purpose is to set and review the overall strategic development of the Group and to oversee the achievement of the plans to enhance Shareholders' value. Daily operational decisions are delegated to the Executive Directors. The Board met five times during the year and the Directors' attendance is shown in the table on page 24. Each of the Directors is appointed by the Board during the year. The term of appointment of Shaw Sun Kan Gordon is two years.

Mr. Zhao Feng and each of the INEDs offer themselves for re-election in the forthcoming Annual General Meeting.

Chin Jung Hung is Chin Jong Hwa's cousin. Save as disclosed, the Directors are independent from each other.

The Company appointed the Non-Executive Director by the Board's appointment during the year. The term of appointment shall be expired up to the forthcoming Annual General Meeting and can offer for re-election in the Annual General Meeting.

## AUDIT COMMITTEE

The Group has established an Audit Committee with written terms of reference as suggested under the Code of Best Practice set out in Appendix 14 of the Listing Rules and adopted with reference to ''A Guide for Effective Audit Committees'' published by the Hong Kong Institute of Certified Public Accountants. The Audit Committee comprises Heng Kwoo Seng, Wang Ching and Zhang Liren, all INEDs. The chairman of the Audit Committee is Heng Kwoo Seng. Each member can bring to the Committee his valuable experience in reviewing financial statements and evaluating significant control and financial issues of the Group who among themselves posses a wealth of management experience in the accounting profession or commercial sectors. The Audit Committee has held 3 meetings during the year and the relevant Directors' attendance is shown in the table on page 24.

The main duties of the Audit Committee are as follows:

(i) to review the half-year and annual financial statements before they are submitted to the Board for approval;

(ii) to make recommendations to the Board on, the appointment, reappointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditors;

(iii) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(iv) to review the Company's financial controls, internal controls and risk management systems;

(v) to review the Group's financial and accounting policies and practice;

(vi) to review and monitor the effectiveness of the internal audit function; and

(vii) to review the terms and conditions of connected transactions of the Group.

The Audit Committee reviewed the financial statements of the Group for the year ended 31 December, 2006 prior to recommending the financial statements to the Board for approval.

## REMUNERATION COMMITTEE

The Company established a remuneration committee in November 2005 and has not held any meeting during the year. The Remuneration Committee comprises Shaw Sun Kan, Gordon, Heng Kwoo Seng, Wang Ching and Zhang Liren. The Chairman of the Remuneration is Shaw Shun Kan, Gordon. Its terms of reference are summarized as follows:

(i) to evaluate the performance of the Executive Directors in order to make recommendations to the Board on the remuneration policy of the Group;

# Corporate Governance Report

(ii) to determine the salaries and compensation packages of the Directors and senior management; and

(iii) to manage and determine the Group's Share Option Scheme.

In order to attract, retain, and motivate executives and key employees serving the Group, the Company has adopted Share Option Scheme in 2005. Such incentive schemes enable the eligible persons to obtain an ownership interest in the Company and thus rewards the participants who contribute to the success of the Group's operations.

Details of the amount of Directors emoluments are set out in note 8 to the accounts and details of the 2005 share option scheme are set out in the Directors' Report and note 34 to the accounts.

## NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of an individual to act as a Director, and approving and terminating the appointment of a Director. The Company has not established a Nomination Committee. The Company currently does not have any plans to set up a Nomination Committee considering the small size of the Board.

The Chairman is responsible for identifying suitable candidates for member of the Board when there is a vacancy or an additional Director is considered necessary. The Chairman proposes the appointment of such candidates to each member of the Board for consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his or her qualifications, experiences and background.

### Attendance Record

| | The Board | Audit Committee | Remuneration Committee |
|---|---|---|---|
| **Number of Meetings** | 5 | 3 | 0 |
| **Executive Directors** | | | |
| Chin, Jong Hwa *(Chairman)* | 4 | | |
| Shi, Jian Hui *(CEO)* | 5 | | |
| Mu, Wei Zhong | 4 | | |
| Liang, Current Tien Tzu *(resigned on 22 December, 2006)* | 4 | | |
| Chin, Jung Huang | 4 | | |
| Zhao, Feng *(was appointed on 22 December, 2006)* | 0 | | |
| **Non-executive Director** | | | |
| Shaw Sun Kan, Gordon | 4 | | 0 |
| **Independent Non-executive Directors** | | | |
| Heng Kwoo Seng | 4 | 3 | 0 |
| Wang Ching | 5 | 3 | 0 |
| Zhang Liren | 4 | 3 | 0 |

## LOOKING FORWARD

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure the compliance with the provisions of the Code on Corporate Governance Practices introduced by the Stock Exchange.

## INDEPENDENCE INFORMATION

The Company has received, from each of the INEDs, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND COMPLIANCE WITH MODEL CODE

None of the Directors is aware of any information that would reasonably indicate that the Company was not at any time during the Review Period in compliance with the Code on Corporate Governance Practice as set out by the Stock Exchange in Appendix 14 to the Listing Rules.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company had adopted the ''Model Code for Securities Transactions by Directors of Listed Issuers'' as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors (the ''Code''). Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard as set out in the Code.

## AUDITORS' REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay an aggregate of approximately HKD2.6 million to the external auditors for their services including audit and non-audit services.

## DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 38.

# Directors' Report

The Board is pleased to present the annual report and the audited financial statements of the Group for the year ended 31 December, 2006.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company while its subsidiaries are engaged in manufacturing, processing, developing and sales of exterior automobile body parts and moulds of passenger cars.

## RESULTS

The results of the Group for the year ended 31 December, 2006 are set out in the consolidated income statement on page 40.

## APPROPRIATIONS

The directors recommend the payment of a final dividend of HKD0.097 per share for the year ended 31 December, 2006 to the shareholders on the register of members on 8 May, 2007, amounting to HKD80,510,000.

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred approximately RMB160 million for the acquisition of property, plant and equipment which mainly comprised of building and plant and machinery. Details of these and other movements in property, plant and equipment of the Group are set out in note 12 to the financial statements.

## SHARE CAPITAL AND RESERVES

During the year ended 31 December, 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Movements in the reserves of the Group and the Company during the year are set out on page 42 of the annual report.

The Company's reserves available for distribution represent the share premium, contributed surplus and profit which in aggregate amounted to RMB773 million as at 31 December, 2006. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Article of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

## DEBENTURES

During the year, the Company did not issue any debenture.

## FINANCIAL SUMMARY

A summary of the results of the assets and liabilities of the Group for the last five financial years is set out on page 5. The results do not constitute a part of the audited financial statements.

## MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December, 2006, the largest customer accounted for approximately 19.4% of the Group's revenue, and the five largest customers accounted for approximately 48.9% of the Group's revenue.

The purchases for the year ended 31 December, 2006 attributable to the Group's largest supplier and five largest suppliers were approximately 8.2% and 25.6% of the Group's total cost of goods sold respectively.

None of the Directors, their respective associates or the existing shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital), has any interests in the Group's five largest suppliers and/or customers for the year ended 31 December, 2006.

## DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

| | |
|---|---|
| **Executive Directors:** | |
| Chin Jong Hwa | (appointed on 14 July, 2005) |
| Shi Jian Hui | (appointed on 14 July, 2005) |
| Mu Wei Zhong | (appointed on 14 July, 2005) |
| Chin Jung Huang | (appointed on 14 July, 2005) |
| Liang Current Tien Tzu | (appointed on 22 October, 2005 and resigned on 22 December, 2006 ) |
| Zhao Feng | (appointed on 22 December, 2006) |
| **Non-executive Director:** | |
| Shaw Sun Kan Gordon | (appointed on 15 July, 2005) |
| **Independent Non-executive Directors:** | |
| Heng Kwoo Seng | (appointed on 26 October, 2005 and renominated on 1 December, 2006) |
| Wang Ching | (appointed on 26 October, 2005 and renominated on 1 December, 2006) |
| Zhang Liren | (appointed on 26 October, 2005 and renominated on 1 December, 2006) |

# Directors' Report

In accordance with Article 86 of the Company's Articles of Association, Zhao Feng will retire from office and, being eligible, offer himself for re-election at the forthcoming Annual General Meeting.

In accordance with Article 87 of the Company's Articles of Association, Heng Kwoo Seng, Wang Ching and Zhang Liren will retire from office and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

## DIRECTORS' SERVICE CONTRACTS

Zhao Feng, an Executive Director proposed for re-election at the forthcoming Annual General Meeting has entered into a service contract with the Company for an initial fixed term expiring on 14 July, 2008 and will continue thereafter until terminated by not less than three months' notice in writing served by either party.

Save as disclosed above, none of the Directors proposed for re-election at the forth coming Annual General Meeting has entered into a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the Independent Directors was nominated on 26 October, 2005 for a fixed term of one year and was renominated on 1 December, 2006.

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the Independent Non-executive Directors are independent.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management are set out on pages 18 to 21.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December, 2006, the interests and short positions of the Directors and the Chief Executives in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

### Interests or short positions in the shares of the Company and its associated corporations

| Name of Director | Company/ Name of Associated Corporation | Long/Short position | Nature of Interest | Total Number of Shares | Percentage of the Company's Issued Share Capital |
|---|---|---|---|---|---|
| Chin Jong Hwa | Company | Long position | Interest of controlled corporation *(Note)* | 480,000,000 | 57.83% |

*Note:* The 480,000,000 Shares are held by Linkfair Investments Limited ("Linkfair") (as to 426,000,000 Shares) and Acemind Industrial Limited ("Acemind") (as to 54,000,000 Shares). Linkfair is wholly-owned by Chin Jong Hwa and he is therefore deemed to be interested in all the 426,000,000 Shares held by Linkfair. Chin Jong Hwa controls more than one third of the voting power of Acemind. Chin Hong Hwa is therefore deemed to be interested in all the 54,000,000 Shares held by Acemind.

Other than as disclosed above, as at 31 December, 2006, none of the Directors, Chief Executives and their associates has any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## SHARE OPTIONS

A share option scheme (the "**Share Option Scheme**") was adopted pursuant to a written resolution of all the then shareholders of the Company passed on 13 November, 2005.

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. All Directors, employees, and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group are eligible to participate in the Share Option Scheme.

# Directors' Report

The Share Option Scheme will remain in force for a period of 10 years after the date on which the Share Option Scheme is adopted.

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 adopted by the Group must not in aggregate exceed 10% of the Shares of the Company in issue on the Listing Date (''**General Scheme Limit**''). The Company may renew the General Scheme Limited with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in the Company in issue as at the date of the shareholders' approval.

The maximum number of Shares which may be issued upon 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 the Shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-months period shall not exceed 1% of the issued share capital of the Company for the time being (''**Individual Limit**'').

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option. A nominal consideration of HKD1 is payable on acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be determined and notified by the Board to each grantee, at the time of making an offer of the grant of an option which shall not expire later than 10 years from the date of grant of the option. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is neither any performance target that needs to be achieved before the option can be exercised nor any minimum period for which an option must be held before it can be exercised.

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

However, no option was granted, exercised, cancelled or lapsed for the year ended 31 December, 2006.

On 1 February, 2007, options have been granted to employees of the Company pursuant to the Share Option Scheme in respect of 20,800,000 shares.

The Share Option Scheme entitled the grantees to exercise 50% of the total granted options after the end of the first twelve months and exercise the remaining 50% of options after the end of the twenty-four months from the date of acceptance of the Options. The subscription price was determined as the closing price of the shares of the Company on the daily quotations of the Stock Exchange on the date of grant of the Options.

The Directors consider the issuance of Options has no significant impact on the financial statements since the exercise price is expected to be no less than the fair value of the Options.

## ARRANGEMENTS TO PURCHASE SHARES

At no time during the year ended 31 December, 2006 was the Company, its holding company or its subsidiaries a party to any arrangements which enabled the Directors (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of Shares in or debenture of the Company or any other body corporate.

## PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and to the knowledge of the Directors.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries, the controlling shareholder of the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December, 2006 or at any time during the year ended 31 December, 2006.

## MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December, 2006.

# Directors' Report

## SUBSTANTIAL SHAREHOLDERS

### (a) Interests or short positions in the Company

As at 31 December, 2006, the interests or short positions of substantial shareholders, other than the Directors or Chief Executives of the Company, in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO are as follows:

| Name of Substantial Shareholder | Capacity | Long/Short position | Number of Shares | Percentage of the Company's Issued Share Capital |
|---|---|---|---|---|
| Wei Ching Lien | Interest of controlled corporation and interest of spouse | Long position | 480,000,000 *(Note 1)* | 57.83% |
| Linkfair Investments Limited | Beneficial owner | Long position | 426,000,000 | 51.32% |
| Acemind Industrial Limited | Beneficial owner | Long position | 54,000,000 | 6.51% |
| Baring Private Equity Asia III Holding (A) Limited | Beneficial owner | Long position | 46,224,222 *(Note 2)* | 5.57% |
| Baring Private Equity Asia GP III LP | Interest of controlled corporation | Long position | 46,224,222 *(Note 3)* | 5.57% |
| Baring Private Equity Asia GP III Limited | Interest of controlled corporation | Long position | 56,333,333 *(Note 4)* | 6.79% |
| Salata Jean Eric | Interest of controlled corporation and interest of spouse | Long position | 65,000,000 *(Note 5)* | 7.83% |
| Pong Melania | Interest of controlled corporation and interest of spouse | Long position | 65,000,000 *(Note 5 and 6)* | 7.83% |

*Note 1:* Wei Ching Lien controls more than one third of the voting power of Acemind Industrial Limited ("Acemind") and is therefore deemed to be interested in all the 54,000,000 Shares held by Acemind. Since she is the spouse of Chin Jong Hwa, she is deemed to be interested in 480,000,000 Shares in which Chin Jong Hwa is deemed to be interested.

*Note 2:* Baring Private Equity Asia III Holding (A) Limited is indirectly wholly-owned by the limited partnerships comprising The Baring Asia Private Equity Fund III.

*Note 3:* Baring Private Equity Asia GP III, LP is the general partner of each of the limited partnerships comprising The Baring Asia Private Equity Fund III and is therefore deemed to be interested in the 46,224,222 Shares held by Baring Private Equity Asia III Holding (A) Limited.

*Note 4:* Baring Private Equity Asia GP III Limited is the general partner of Baring Private Equity Asia GP III, LP and is deemed to be interested in the 46,224,222 Shares held by Baring Private Equity Asia III Holding (A) Limited and in an additional 10,109,111 Shares held by Baring Private Equity Asia III Holding (1) Limited.

*Note 5:* Baring Private Equity Asia GP III Limited is wholly-owned by Salata Jean Eric and he is therefore deemed to be interested in the 56,333,333 Shares in which Baring Private Equity Asia GP III Limited is deemed to be interested. Baring Asia Fund II (GP) LP is the general partner of the limited partnerships comprising The Baring Asia Private Equity Fund II, one of which wholly owns Baring Asia II Holdings (24) Limited, which is the holder of 8,666,667 Shares. Baring Asia Fund Managers II Limited is the general partner of Baring Asia Fund II (GP) LP. Accordingly, both Baring Asia Fund II (GP) LP and Baring Asia Fund Managers II Limited are deemed to be interested in the 8,666,667 Shares held by Baring Asia II Holdings (24) Limited. Baring Asia Fund Managers II Limited is owned by Maximus GP Holdings Limited, which is owned ultimately by Pong Melania, the spouse of Salata Jean Eric. Salata Jean Eric is, therefore, also deemed to be interested in the 8,666,667 Shares in which Baring Asia Fund Managers II Limited is deemed to be interested.

*Note 6:* Salata Jean Eric and Pong Melania are husband and wife and are deemed to be interested in each other's deemed interests.

### (b) interests or short positions in other members of the Group

| Member of the Group | Name of the corporation who directly or indirectly owns 10% or more equity in other members of the Group |
|---|---|
| Guangzhou Minhui Automobile Parts Co., Ltd. | Sankei Giken Holdings Co., Ltd |
| Tianjin Sintai Automobile Parts Co., Ltd | Aisin Tianjin Body Parts Co.,Ltd |
| Jiaxing Minth-Hashmoto Automotive Parts Co., Ltd | Altia Hashimoto Co., Ltd |
| Jiaxing Minrong Automotive Parts Co., Ltd | Praise Development Limited |
| Jiaxing El Triumph Automotive Parts Co., Ltd | Praise Development Limited |
| Constant Gain International Ltd. | Carl Kittel Autoteile GmbH |

Other than as disclosed above, as at 31 December, 2006, the Company had not been acknowledged by any person of any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Up to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

# Directors' Report

## CONNECTED TRANSACTIONS

During the year under review, the following continuing connected transactions have been entered into by the Group:

(a) Entering into a sale and purchase agreement with Aisin Tianjin Body Parts Co., Ltd. (''Aisin Tianjin'')

An indirect wholly-owned subsidiary of the Company entered into a share transfer agreement in May 2006 with Aisin Tianjin pursuant to which the Group and Aisin Tianjin own an 80% interest and a 20% interest in Tianjin Shintai Automobile Parts Co., Ltd (''Tianjin Shintai'') respectively, Aisin Tianjin therefore becomes a connected person of the Company within the meaning of Listing Rules by virtue of it being a substantial shareholder of one of the subsidiaries of the Company.

Tianjin Shintai and Aisin Tianjin entered into a sale and purchase agreement (''Sale and Purchase Agreement'') on 19 July, 2006, pursuant to which Tianjin Shintai and/or its affiliates agreed to purchase semi-finished automobile materials from, and sell finished automobile parts to Aisin Tianjin and/or its affiliates (collectively ''Aisin Group''). The specific products would depend on the car models and terms as to quantity, quality and price will be agreed between the parties thereto from time to time under separate specific transactional agreements.

The price of the products supplied under the Sale and Purchase Agreement shall be negotiated by the parties on an arm's length basis by reference to market conditions at that time and if there is no market price for a particular product, an agreed price consisting of the cost incurred in supplying the product plus a reasonable profit. The Sale and Purchase Agreement was for a term from the date that the requisite approval of the Shareholders had been obtained to 31 December, 2008 and was capable of automatic renewal for another term of three years unless either party gives three months' termination notice prior to the expiry of the term.

The aggregate amount of purchase from, and sales to, Aisin Tianjin under the Sale and Purchase Agreement for the seven months ended 31 December, 2006 was approximately RMB17.0 million and RMB12.8 million respectively, which did not exceed the maximum of RMB19.0 million and RMB13.0 million as approved by the independent shareholders.

(b) Acquiring the equity interest held by Chongqing Yi Er Qi Garden Engineering Co. Ltd. (''Yi Er Qi'') in a subsidiary of the Company, Chongqing Changtai Automobile Spare Parts Co., Ltd (''Chongqing Changtai'').

Mindway Holdings Limited (''Mindway''), an indirectly wholly-owned subsidiary of the Company, and Yi Er Qi owned a 80% equity interest and a 20% equity interest in Chongqing Changtai respectively, and therefore Yi Er Qi is a connected person of the Company by virtue of it being the substantial shareholder of one of the Company's subsidiaries.

The Company, through Mindway, entered into an acquisition agreement with Yi Er Qi on 11 September, 2006, pursuant to which the Company agreed to acquire from Yi Er Qi a 20% equity interest in Chongqing Changtai for a total consideration of approximately RMB8.1 million as determined by reference to the appraised net asset value of Chongqing Changtai. The acquisition has completed in September 2006, upon which Chongqing Changtai has been indirectly wholly-owned by the Company. As such, any transaction under the framework supply agreement dated 8

January, 2005 between Chongqing Changtai and Yi Er Qi and/or its related companies (including ChangAn Automobile, ChangAn Suzuki and Changan Ford Automobile Corporation would not constitute a connected transaction by virtue of Yi Er Qi being an independent third party upon completion of the acquisition .

(c) Agreement relating to Guangzhou Minhui Automobile Parts Co., Ltd. (''**Guangzhou Minhui**'') as supplemented by two supplemental agreements dated 31 July, 2005 and 10 November, 2005, respectively between Decade Industries Limited (''**Decade**'') and Sankei Giken Holding Co., Ltd. (''**Sankei Giken Holding**'')

Decade, an indirect wholly-owned subsidiary of Minth, entered into an agreement on 20 June, 2005 with Sankei Giken Holding as supplemented by a supplemental agreement dated 31 July, 2005 and a second supplemental agreement dated 10 November, 2005, pursuant to which Decade undertook to Sankei Giken Holding that during a period of 36 months commencing from 1 January, 2006, the dividend distribution to be made by Guangzhou Minhui to Sankei Giken Holding would be approximately USD393,385 (equivalent to approximately HKD3.1 million) per year and any shortfall will be made up by Decade. In the event that during any of the three years ending 31 December, 2008, the dividend distribution to be made by Guangzhou Minhui to Sankei Giken Holding is more than USD393,384.25, the amount in excess shall be paid by Sankei Giken Holding to Decade. Sankei Giken Holding currently holds a 30% interest in Guangzhou Minhui and by virtue of it being a substantial shareholder of Guangzhou Minhui (an indirect non wholly-owned subsidiary of Minth), Sankei Giken Holding is a connected person of the Company.

The Group will make a payment in 2007 of approximately USD393,385 to Sankei Giken Holding and in consideration thereof, Sankei Giken Holding would pay to Decade all the dividend distribution to be made by Guangzhou Minhui to it for the year ended 31 December, 2006.

(d) Technology services provided by Sankei Giken Kogyo Co., Ltd. (''**Sankei Giken**'') to the Group

Guangzhou Minhui, an indirect non-wholly owned subsidiary of Minth, entered into three technology services agreements with Sankei Giken, a wholly-owned subsidiary of Sankei Giken Holding, on 12 June, 2002, 27 February, 2004, and 1 March, 2004, respectively. Each of Ningbo Shin Tai Machines Industrial Co., Ltd. (''**Ningbo Shintai**'') and Jiaxing Minhui Automotive Parts Co., Ltd. (''**Jiaxing Minhui**''), both indirect wholly-owned subsidiaries of Minth, entered into a technology services agreement with Sankei Giken on 1 March, 2004 and 25 May, 2005, respectively (collectively, the ''**Technology Services Agreements**'').

Pursuant to the Technology Services Agreements, Sankei Giken agreed to provide technology, technology support and knowhow for certain types of auto-parts to Guangzhou Minhui, Ningbo Shintai and Jiaxing Minhui and to grant non-exclusive rights to use the technology know-how in relation to the manufacture of auto-parts for Guangzhou Honda Automobile Co., Ltd. (in respect of Guangzhou Minhui), and Dongfeng Honda (Wuhan) Automobile Co. Ltd. (in respect of Ningbo Shintai and Jiaxing Minhui). The technology support provided by Sankei Giken includes the design, installation, operation of the auto-parts and to provide training to the Group's staff. Except for the technology service agreement with Jiaxing Minhui (which is for a term of six years commencing from the date of execution) and Ningbo Shintai (which is for a term of five years commencing from the date of execution), the term for each of the Technical Services Agreements is for five years commencing from the date when registration procedures with the relevant Chinese government authorities are completed.

# Directors' Report

During the year under review, the aggregate consideration paid to Sankei Giken for its services rendered amounted to approximately RMB3.6 million, it did not exceed the monetary cap of RMB8.9 million for the year ended 31 December, 2006.

(e) Framework supply agreement between Chongqing Changtai Automobile Spare Parts Co., Ltd. (''**Chongqing Changtai**'') and Yi Er Qi

Chongqing Changtai, an indirect non-wholly owned subsidiary of Minth, is a joint venture established in China and owned as to 80% and 20% by the Group and Yi Er Qi, respectively. Yi Er Qi is therefore a connected person of Minth by virtue of it being a substantial shareholder of one of Minth's subsidiaries.

Chonging Changtai has entered into a framework supply agreement dated 8 January, 2005 with Yi Er Qi pursuant to which Chongqing Changtai agreed to sell various auto-parts, accessories, raw materials and other products to Yi Er Qi and/or its related companies, which include, ChangAn Auto Co. Ltd., ChongQing ChangAn Suzuki Automobile Co., Ltd. and ChangAn Ford Automobile Corporation (''**Yi Er Qi Group**''). The specific products will depend on the car models and terms as to quantity, quality and price will be agreed between the parties thereto from time to time under separate specific transactional agreements.

The price of the products supplied under the framework supply agreement shall be negotiated by the parties on an arms length basis by reference to market conditions at that time and if there is no market price for a particular product, an agreed price consisting of the cost incurred in supplying the product plus a reasonable profit. The term of the framework supply agreement is for three years and shall be capable of automatic renewal for another term of three years unless either party gives three months' notice prior to the expiry of the term.

As at 31 September, 2006, the aggregate sales by the Group to the Yi Er Qi Group amounted to approximately RMB61.3 million, it did not exceed the monetary cap of RMB153.7 million for the year ended 31 December, 2006.

The independent non-executive Directors had reviewed the connected transactions and took the view that the connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms, or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors confirm that the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with by the Company.

## REMUNERATION POLICY

Remuneration policy of the Group is set up by the Remuneration Committee, making reference to legal framework, market condition and performance of the Group and individual staff. The remuneration policy and remuneration packages of the Directors and senior management staff of the Group are reviewed by the Remuneration Committee, making reference to the prevailing market practice, his/her duties and responsibilities within the Group and his/her contribution of the Group.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in page 82.

## COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company was not at any time during the year ended 31 December, 2006 in compliance with the Code of Best Practice as set out by the Stock Exchange in Appendix 14 to the Listing Rules.

## COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the Company's code of conduct and rules governing dealings by all Directors in the securities of the Company. Having made specific enquiry of all Directors of the Company, during the year ended 31 December, 2006, the Directors of the Company had strictly complied with the Model Code.

## MATERIAL LITIGATION AND ARBITRATION

The Group did not engage in any litigation or arbitration of material importance during the year ended 31 December, 2006.

## SUBSEQUENT EVENT

Details of subsequent events are set out in note 34 to the financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board of Directors of
**Minth Group Limited**
**Chin Jong Hwa**
*Chairman*

28 March, 2007

# Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF MINTH GROUP LIMITED
*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Minth Group Limited (the ''Company'') and its subsidiaries (collectively referred to as the ''Group'') set out on pages 40 to 82, which comprise the consolidated balance sheet as at 31 December, 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of the consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December, 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong

28 March, 2007

# Consolidated Income Statement

*For the year ended 31 December, 2006*

| | Notes | 2006 RMB'000 | 2005 RMB'000 |
|---|---|---|---|
| Turnover | 6 | **956,232** | 678,606 |
| Cost of sales | | **(579,835)** | (406,641) |
| Gross profit | | **376,397** | 271,965 |
| Other income | | **28,440** | 23,545 |
| Distribution and selling expenses | | **(31,777)** | (15,402) |
| Administrative expenses | | **(99,163)** | (72,455) |
| Interest on bank borrowings wholly repayable within five years | | **(2,827)** | (9,088) |
| Share of profits of associates | | **21,167** | 11,722 |
| Share of losses of jointly controlled entities | | **(2,648)** | — |
| Profit before taxation | 7 | **289,589** | 210,287 |
| Taxation | 9 | **(14,483)** | (12,179) |
| Profit for the year | | **275,106** | 198,108 |
| Attributable to: | | | |
| Equity holders of the Company | | **268,701** | 195,067 |
| Minority interests | | **6,405** | 3,041 |
| | | **275,106** | 198,108 |
| Dividends | 10 | **27,519** | 164,903 |
| Distribution | 10 | **—** | 40,303 |
| Earnings per share | 11 | | |
| Basic | | **RMB0.324** | RMB0.315 |

# Consolidated Balance Sheet

*At 31 December, 2006*

| | Notes | 2006 RMB'000 | 2005 RMB'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 12 | **584,668** | 459,318 |
| Lease premium for land | 13 | **70,152** | 47,365 |
| Goodwill | 14 | **10,718** | — |
| Intangible assets | 15 | **11,045** | 11,186 |
| Investment in jointly controlled entities | 16 | **35,343** | 8,071 |
| Investment in associates | 17 | **51,550** | 31,233 |
| Advances to joint venture partners | 18 | **23,067** | — |
| | | **786,543** | 557,173 |
| Current assets | | | |
| Lease premium for land | 13 | **1,764** | 1,096 |
| Inventories | 19 | **219,510** | 175,940 |
| Trade and other receivables | 20 | **247,947** | 199,531 |
| Pledged bank deposits | 21 | **3,019** | 7,856 |
| Bank balances and cash | 21 | **232,071** | 465,540 |
| | | **704,311** | 849,963 |
| Current liabilities | | | |
| Trade and other payables | 22 | **231,810** | 203,134 |
| Taxation payable | | **3,727** | 956 |
| Short-term bank loans | 23 | **38,154** | 114,695 |
| | | **273,691** | 318,785 |
| Net current assets | | **430,620** | 531,178 |
| Total assets less current liabilities | | **1,217,163** | 1,088,351 |
| Non-current liabilities | | | |
| Long-term bank loans | 24 | **—** | 115,557 |
| Net assets | | **1,217,163** | 972,794 |
| Capital and reserves | | | |
| Share capital | 25 | **86,345** | 86,345 |
| Reserves | | **1,096,338** | 861,280 |
| Equity attributable to equity holders of the Company | | **1,182,683** | 947,625 |
| Minority interests | | **34,480** | 25,169 |
| Total equity | | **1,217,163** | 972,794 |

The consolidated financial statements on pages 40 to 41 were approved and authorised for issue by the Board of Directors on 28 March, 2007 and are signed on its behalf by:

**Shi Jian Hui**
DIRECTOR

**Wu Wei Zhong**
DIRECTOR

# Consolidated Statement of Changes in Equity

*For the year ended 31 December, 2006*

| | Share capital RMB'000 | Share premium RMB'000 | Special reserve RMB'000 | Other reserve RMB'000 | Statutory surplus reserve fund RMB'000 | Enterprise expansion fund RMB'000 | Exchange reserve RMB'000 | Retained profits RMB'000 | Attributable to equity holders of the Company RMB'000 | Minority interests RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January, 2005 | 236,483 | — | — | — | 8,727 | 568 | — | 144,976 | 390,754 | 40,062 | 430,816 |
| Exchange difference arising on translation of foreign operations and net loss recognised directly in equity | — | — | — | — | — | — | (235) | — | (235) | — | (235) |
| Profit for the year | — | — | — | — | — | — | — | 195,067 | 195,067 | 3,041 | 198,108 |
| Total recognised income | — | — | — | — | — | — | (235) | 195,067 | 194,832 | 3,041 | 197,873 |
| Transfer | — | — | — | — | 10,257 | 9,639 | — | (19,896) | — | — | — |
| Capital contributions | 39,727 | — | — | — | — | — | — | — | 39,727 | 869 | 40,596 |
| Issue of shares | 86,334 | 452,012 | — | — | — | — | — | — | 538,346 | — | 538,346 |
| Expenses incurred in connection with the issue | — | (30,339) | — | — | — | — | — | — | (30,339) | — | (30,339) |
| Reorganisation | (276,199) | — | 276,199 | 19,511 | — | — | — | — | 19,511 | — | 19,511 |
| Distribution *(note 10)* | — | — | — | — | — | — | — | (40,303) | (40,303) | — | (40,303) |
| Acquisition of additional interest in a subsidiary | — | — | — | — | — | — | — | — | — | (328) | (328) |
| Dividend paid *(note 10)* | — | — | — | — | — | — | — | (164,903) | (164,903) | (18,475) | (183,378) |
| At 31 December, 2005 | 86,345 | 421,673 | 276,199 | 19,511 | 18,984 | 10,207 | (235) | 114,941 | 947,625 | 25,169 | 972,794 |
| Exchange difference arising on translation of overseas operations and net loss recognised directly in equity | — | — | — | — | — | — | (6,124) | — | (6,124) | (13) | (6,137) |
| Profit for the year | — | — | — | — | — | — | — | 268,701 | 268,701 | 6,405 | 275,106 |
| Total recognised income | — | — | — | — | — | — | (6,124) | 268,701 | 262,577 | 6,392 | 268,969 |
| Transfer | — | — | — | — | 11,830 | 952 | — | (12,782) | — | — | — |
| Capital contribution from minority shareholders | — | — | — | — | — | — | — | — | — | 6,554 | 6,554 |
| Acquisition of subsidiaries *(note 26)* | — | — | — | — | — | — | — | — | — | 4,450 | 4,450 |
| Acquisition of additional interest in a subsidiary | — | — | — | — | — | — | — | — | — | (8,085) | (8,085) |
| Dividend paid *(note 10)* | — | — | — | — | — | — | — | (27,519) | (27,519) | — | (27,519) |
| At 31 December, 2006 | 86,345 | 421,673 | 276,199 | 19,511 | 30,814 | 11,159 | (6,359) | 343,341 | 1,182,683 | 34,480 | 1,217,163 |

The special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate amount of the paid-in capital of subsidiaries acquired pursuant to the group reorganisation in June 2005.

The other reserve of the Group represents the contributions from a shareholder Mr. Chin Jong Hwa (''Mr. Chin'') in connection with the Group's acquisition of an associate from Mr. Chin pursuant to the group reorganisation.

As stipulated by the relevant laws and regulations for foreign investment enterprise in the Mainland China (the ''PRC''), the PRC subsidiaries are required to maintain statutory reserves fund which are non-distributable. Appropriations to such reserves are made out of profit after taxation of the statutory financial statements of the PRC subsidiaries. The amount and basis of allocation are decided by its board of directors annually. The statutory surplus reserve fund can be used to make up its prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue.

# Consolidated Cash Flow Statement

*For the year ended 31 December, 2006*

| | Notes | 2006 RMB'000 | 2005 RMB'000 |
|---|---|---|---|
| Operating activities | | | |
| Profit before taxation | | **289,589** | 210,287 |
| Adjustments for: | | | |
| Interest income | | **(5,233)** | (2,473) |
| Interest expense | | **2,827** | 9,088 |
| Depreciation of property, plant and equipment | | **38,901** | 32,382 |
| Amortisation of intangible assets | | **3,410** | 2,195 |
| Amortisation of prepaid lease premium for land | | **1,828** | 1,088 |
| (Gain) loss on disposal of property, plant and equipment | | **(119)** | 883 |
| Discount arising on acquisition of additional interests in a subsidiary | | **—** | (328) |
| Share of profits of associates | | **(21,167)** | (11,722) |
| Share of losses of jointly controlled entities | | **2,648** | — |
| Allowance for inventories (written back) | | **(556)** | (612) |
| Allowance for bad and doubtful debts (written back) | | **1,215** | (1,282) |
| Operating cash flows before movements in working capital | | **313,343** | 239,506 |
| Increase in inventories | | **(37,477)** | (63,694) |
| Decrease (increase) in trade and other receivables | | **(39,854)** | 16,274 |
| Increase in trade and other payables | | **11,789** | 51,019 |
| Cash from operations | | **247,801** | 243,105 |
| PRC income tax paid | | **(11,981)** | (11,223) |
| Net cash from operating activities | | **235,820** | 231,882 |
| Investing activities | | | |
| Interest received | | **5,233** | 2,473 |
| Dividends received from associates | | **10,220** | — |
| Purchase of property, plant and equipment | | **(154,460)** | (148,375) |
| Acquisition of investment in an associate | | **(9,370)** | — |
| Acquisition of investment in joint ventures | | **(29,920)** | (8,071) |
| Proceeds from disposal of property, plant and equipment | | **6,008** | 1,140 |
| Prepaid rentals for lease premium for land | | **(25,283)** | (3,843) |
| Purchase of intangible assets | | **(3,269)** | (5,810) |
| Acquisition of a subsidiary | *26* | **(20,106)** | — |
| Acquisition additional interest of a subsidiary | | **(8,085)** | — |
| Advances to joint venture partners | | **(23,067)** | — |
| Decrease (Increase) in pledged bank deposits | | **4,837** | (4,765) |
| Repayment from related companies | | **—** | 9,620 |
| Repayment from a director | | **—** | 21,256 |
| Net cash used in investing activities | | **(247,262)** | (136,375) |

# Consolidated Cash Flow Statement (continued)

*For the year ended 31 December, 2006*

| | Notes | 2006 RMB'000 | 2005 RMB'000 |
|---|---|---|---|
| Financing activities | | | |
| Interest paid | | **(2,827)** | (9,088) |
| Bank loans raised | | **223,862** | 230,252 |
| Repayment of bank loans | | **(415,960)** | (146,355) |
| Repayment of other loans | | **—** | (18,066) |
| Dividends paid | | **(27,519)** | (241,789) |
| Capital contributions from minority owners of subsidiaries | | **6,554** | 869 |
| Dividends paid to minority owners of subsidiaries | | **—** | (18,384) |
| Capital contributions from equity holders of the Company | | **—** | 39,727 |
| Proceeds from issue of shares | | **—** | 538,346 |
| Payment of listing expense | | **—** | (30,339) |
| Distribution during the Group Reorganisation | | **—** | (40,303) |
| Repayment to related companies | | **—** | (20,982) |
| Net cash (used in) from financing activities | | **(215,890)** | 283,888 |
| Net (decrease) increase in cash and cash equivalents | | **(227,332)** | 379,395 |
| Cash and cash equivalents at beginning of the year | | **465,540** | 86,380 |
| Effect of foreign exchange rate changes | | **(6,137)** | (235) |
| Cash and cash equivalents at the end of the year | | **232,071** | 465,540 |
| Analysis of the balances of cash and cash equivalents | | | |
| Bank balances and cash | | **232,071** | 465,540 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 1. GENERAL, CORPORATE REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated under the Company Law of the Cayman Islands on 22 June, 2005 and registered as an exempted company with limited liability. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'') since 1 December, 2005. The Company acts as an investment holding company with its subsidiaries engaged in the design, develop, manufacture, process and sales of exterior automobile body parts and moulds. The principal activities of the Company's subsidiaries are set out in note 33.

In the opinion of the directors, the immediate and ultimate holding company is Linkfair Investment Limited, a company incorporated in the British Virgin Islands on 7 January, 2005, with limited liability.

The Group comprising the Company and its subsidiaries and the Relevant Business resulting from a group reorganisation on 30 June, 2005 is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared on the basis as if the Company has always been the holding company of the Group using the principles of merger accounting in accordance with the Statement of Accounting Guideline 5 ''Merger Accounting for Common Control Combinations'' issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''). On this basis, the results of the Group and the Relevant Business for the year ended 31 December, 2005 include results of the Company, its subsidiaries and the Relevant Business effect from their respective date of incorporation or establishment where this is a shorter period.

The financial statements are presented in Renminbi (''RMB''), which is same as the functional currency of the Company.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations (''new HKFRSs'') issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA''), which are effective for accounting periods beginning on or after 1 December, 2005 or 1 January, 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

The HKICPA has issued the following new standard, amendment and interpretations ("INT") that are not yet effective. The Group has considered the following new standards, amendment and interpretations but does not expect they will have a material effect on the results and financial position of the Group.

| | |
|---|---|
| HKAS 1 (Amendment) | Capital Disclosures[1] |
| HKFRS 7 | Financial Instruments: Disclosures[1] |
| HKFRS 8 | Operating Segment[2] |
| HK(IFRIC)-INT 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3] |
| HK(IFRIC)-INT 8 | Scope of HKFRS 2[4] |
| HK(IFRIC)-INT 9 | Reassessment of Embedded Derivatives[5] |
| HK(IFRIC)-INT 10 | Interim Financial Reporting and Impairment[6] |
| HK(IFRIC)-INT 11 | HKFRS 2 — Group and Treasury Share Transactions[7] |
| HK(IFRIC)-INT 12 | Service Concession Arrangements[8] |

1 Effective for annual periods beginning on or after 1 January, 2007
2 Effective for annual periods beginning on or after 1 January, 2009
3 Effective for annual periods beginning on or after 1 March, 2006
4 Effective for annual periods beginning on or after 1 May, 2006
5 Effective for annual periods beginning on or after 1 June, 2006
6 Effective for annual periods beginning on or after 1 November, 2006
7 Effective for annual periods beginning on or after 1 March, 2007
8 Effective for annual periods beginning on or after 1 January, 2008

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. The consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation (continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

### Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

For business combination that involves more than one exchange transaction through successive share purchases, each exchange transaction is treated separately, using the cost of the transaction and fair value information at the date of each exchange transaction, to determine the amount of any goodwill associated with that transaction.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary recognised at the date of acquisition. Such goodwill is carried at cost and less any accumulated impairment losses.

Goodwill arising on the acquisition of additional interest in a subsidiary represents the excess of the cost of the additional acquisition over the Group's share of additional interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Capitalised goodwill arising on an acquisition of a subsidiary or additional interest in a subsidiary is presented separately in the consolidated balance sheet.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in a subsequent period.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

### Investment in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Where the Group transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the joint controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discount estimated future cash receipt through the expected life of the financial assets to that assets net carrying amount.

### Property, plant and equipment

*Construction in progress*

Construction in progress is stated at cost, which includes construction costs and other direct costs, capitalised less any identified impairment loss. No depreciation is provided until the construction is completed and the assets are ready for intended use. Cost of completed construction work is transferred to the appropriate category of property, plant and equipment.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment (continued)

*Other property, plant and equipment*

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

### Operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*The Group as Lessor*

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

*The Group as Lessee*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

### Leasehold land

Interest in leasehold land is amortised over the lease term on a straight-line basis.

### Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies (continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RMB using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposal of.

### Borrowing costs

All borrowing costs are recognised in the consolidated income statement in the period incurred.

### Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. The grants are recognised as other income in the consolidated income statement when there is reasonable assurance that the grants will be recovered unconditionally.

### Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as when employees have rendered service entitling them to contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

*Deferred tax*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

### Intangible assets

*Intangible assets acquired separately*

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

*Research and development expenditure*

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets (continued)

*Impairment*

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument.

*Trade and other receivables, bank balances, pledged bank deposit and advances to joint venture partners*

Trade and other receivables, bank balances, pledged bank deposit and advances to joint venture partners are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method less any identified impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

*Bank borrowings*

Interest-bearing bank loans are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

*Trade and other payables*

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

*Equity Instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Consideration paid to reacquire the Company's own equity instruments are deducted from equity. No gain or loss is recognised in profit or loss.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

### Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. When the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at the balance sheet date was approximately RMB11 million and no impairment loss is recorded in 2006. Details of the consideration of impairment of goodwill are provided in Note 14.

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments to raise finance for the Group's operations comprise bank borrowings, bank balances and pledged bank deposits. The Group has various other financial instruments such as trade and bill receivables and trade and bill payables, which arise directly from its operations.

It is, and has been throughout the year, the Group's policy not to enter into trading of financial instruments including derivative transactions.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The main risks arising from the Group's financial instruments are foreign currency risk, commodity price risk, credit risk, interest rate risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

### Foreign currency risk

The Group's exposure to foreign currency risk is arising mainly from:

(1) The exchange rate movements of Hong Kong Dollars and United States Dollars, as the Group has bank deposits denominated in these currency.

(2) Several subsidiaries of the Company also have foreign currency sales and certain trade receivables of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. In order to mitigate the foreign currency risk, management closely monitors such risks and will consider hedging significant foreign currency exposure should the need arises.

### Credit risk

As at 31 December, 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk in relation to trade receivables, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The amounts presented in the balance sheet are net of allowances for doubtful receivables, if any, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk for its trade receivables, with exposure spread over a certain number of counterparties and customers which are affiliates of the large multi-national companies with high credit ranking.

The Group has concentration of credit risk for its advances to jointly venture partners. The directors consider the risk is insignificant.

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Interest rate risk

The Group's fair value interest rate risk relates to bank balances and fixed-rate bank borrowings. The Group has not entered into any interest rate hedging contracts or any other derivative financial instrument. The management closely monitors such risks and will consider hedging significant interest rate risk exposure should the need arise.

### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. In the opinion of the directors, most of the borrowings that mature within one year are able to be renewed and the Group has adequate unutilised bank facilities to finance the Group and manage the liquidity position.

## 6. BUSINESS AND GEOGRAPHICAL SEGMENT

Turnover represents the amounts received and receivable for goods sold by the Group to outside customers and net of discounts and sales related taxes during the year.

### Business segments

The Group's operation is regarded as a single business segment, being engaged in the manufacture and sales of exterior automobile body parts.

### Geographical segments

The following table provides an analysis of the Group's sales by geographical markets, irrespective of the origin of the goods:

| | **2006** | | 2005 | |
|---|---|---|---|---|
| | **RMB'000** | **%** | RMB'000 | % |
| PRC | **832,259** | **87.0** | 617,856 | 91.0 |
| North America | **25,110** | **2.6** | 20,612 | 3.0 |
| Europe | **38,115** | **4.0** | 29,014 | 4.3 |
| Asia Pacific | **60,748** | **6.4** | 11,124 | 1.7 |
| Total | **956,232** | **100** | 678,606 | 100 |

No geographical segment information of the Group's assets is shown as the Group's assets are substantially located in the PRC.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 7. PROFIT BEFORE TAXATION

| | 2006 RMB'000 | 2005 RMB'000 |
|---|---|---|
| Profit before taxation has been arrived at after charging: | | |
| Cost of inventories as expense | **579,835** | 406,641 |
| Directors' remuneration *(note 8)* | **3,565** | 1,552 |
| Other staff's retirement benefits scheme contributions | **3,473** | 2,576 |
| Other staff costs | **95,339** | 60,782 |
| Total staff costs | **102,377** | 64,910 |
| *Less:* Staff costs included in research and development costs | **(6,752)** | (6,137) |
| | **95,625** | 58,773 |
| Auditor's remuneration | **2,586** | 1,720 |
| Depreciation of property, plant and equipment | **38,901** | 32,382 |
| *Less:* Depreciation included in research and development costs | **(4,893)** | (3,990) |
| | **34,008** | 28,392 |
| Amortisation of intangible assets (included in administrative expenses) | **3,410** | 2,195 |
| Allowance for bad and doubtful debts | **1,215** | — |
| Bad debts written off | **6,988** | — |
| (Gain) loss on disposal of property, plant and equipment | **(119)** | 883 |
| Operating lease rentals of buildings | **1,445** | 1,596 |
| Amortisation of prepaid land premium | **1,828** | 1,088 |
| Research and development costs | **32,256** | 25,763 |
| Profit before taxation has been arrived at after crediting: | | |
| Property rental income | **3,015** | 3,850 |
| *Less:* Outgoings | **(437)** | (1,206) |
| | **2,578** | 2,644 |
| Allowance for bad and doubtful debts written back | **—** | 1,282 |
| Allowance for provision for inventories written back *(note a)* | **556** | 612 |
| Discount arising on an acquisition of additional interests in a subsidiary | **—** | 328 |
| Government subsidies *(note b)* | **2,152** | 4,894 |
| Interest income | **5,233** | 2,473 |
| Net foreign exchange gain | **624** | 3,596 |

*Note a:* Allowance of provision for inventories has been written back on sale of these inventories.

*Note b:* The amount represents the incentive subsidies granted by the PRC local government authorities to the Group for projects involving hi-tech know-how and product development. The government grants have been approved by and received from the PRC local government authorities.

## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

The emoluments paid or payable to each of the ten (2005: nine) directors were as follows:

| | | Others emoluments | | |
|---|---|---|---|---|
| | Fees | Salaries and other benefits | Retirement benefits scheme contributions | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **2006** | | | | |
| Executive directors: | | | | |
| Chin Jong Hwa | — | 600 | 12 | 612 |
| Shi Jian Hui | — | 569 | 5 | 574 |
| Mu Wei Zhong | — | 404 | 5 | 409 |
| Chin Jung Huang | — | 569 | — | 569 |
| Zhao Feng | — | — | — | — |
| Liang Tien Tzu | — | 936 | 12 | 948 |
| | — | 3,078 | 34 | 3,112 |
| Non-executive directors: | | | | |
| Shaw Sun Kan Gordon | — | — | — | — |
| Independent non-executive directors: | | | | |
| Heng Kwoo Seng | 151 | — | — | 151 |
| Wang Ching | 151 | — | — | 151 |
| Zhang Liren | 151 | — | — | 151 |
| | 453 | — | — | 453 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

### (a) Directors' emoluments (continued)

| | | Others emoluments | | |
|---|---|---|---|---|
| | Fees | Salaries and other benefits | Retirement benefits scheme contributions | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 2005 | | | | |
| Executive directors: | | | | |
| Chin Jong Hwa | — | 50 | — | 50 |
| Shi Jian Hui | — | 311 | 5 | 316 |
| Mu Wei Zhong | — | 265 | 4 | 269 |
| Chin Jung Huang | — | 426 | — | 426 |
| Liang Tien Tzu | — | 452 | — | 452 |
| | — | 1,504 | 9 | 1,513 |
| Non-executive directors: | | | | |
| Shaw Sun Kan Gordon | — | — | — | — |
| Independent non-executive directors: | | | | |
| Heng Kwoo Seng | 13 | — | — | 13 |
| Wang Ching | 13 | — | — | 13 |
| Zhang Liren | 13 | — | — | 13 |
| | 39 | — | — | 39 |

## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

### (b) Employees' emoluments

During the year, the five highest paid individuals included four directors, (2005: one director) details of whose emoluments are set out above. The emoluments of the remaining one (2005: four) highest paid individuals were as follows:

| | Salaries and other benefits RMB'000 | Retirements benefits scheme contributions RMB'000 | Total RMB'000 |
|---|---|---|---|
| **2006** | 494 | — | 494 |
| 2005 | 1,937 | — | 1,937 |

## 9. TAXATION

The charge represents PRC income tax calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group are entitled to exemption from PRC income tax for two years commencing from their first profit making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC income tax for the following three years (''Tax Holidays''). The tax holidays will expire in 2010.

The charge for the year is reconciled to the profit before taxation as follows:

| | **2006 RMB'000** | **%** | 2005 RMB'000 | % |
|---|---|---|---|---|
| Profit before taxation | **289,589** | | 210,287 | |
| Tax at the applicable income tax rate | **43,438** | **15.0** | 31,543 | 15.0 |
| Tax effect of share of profit of associates and jointly controlled entities | **(2,778)** | **(0.9)** | (1,054) | (0.5) |
| Tax effect of expenses not deductible for tax purposes | **973** | **0.3** | 500 | 0.2 |
| Tax effect of deferred tax assets not recognised | **2,114** | **0.7** | — | — |
| Tax effect of tax losses not recognised | **247** | **0.1** | — | — |
| Effect of Tax Holidays | **(30,090)** | **(10.4)** | (15,498) | (7.3) |
| Tax effect of different tax rates of subsidiaries | **312** | **0.1** | 185 | 0.1 |
| Additional tax credit on qualified research and development costs *(note)* | **—** | **—** | (4,385) | (2.1) |
| Others | **267** | **0.1** | 888 | 0.4 |
| Tax charge and effective tax rate for the year | **14,483** | **5.0** | 12,179 | 5.8 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 9. TAXATION (continued)

*Note:* Pursuant to PRC tax regulations, a subsidiary of the Group was eligible for an additional deduction of research and development expense in computation of income tax when certain conditions have been fulfilled. The application of deduction had been approved by the local tax authorities. This subsidiary did not apply for the additional deduction in current year.

The applicable income tax rate of 15% is the domestic rate in the respective regions where the operations of the Group are substantially based.

At the balance sheet date, the Group has unused tax losses of RMB1.6 million (2005: Nil) available for offset against future profits that may be carried forward indefinitely. The tax losses will expire in 2011.

No deferred taxation was provided at 31 December, 2006 and 2005 as the amounts involved were not significant.

## 10. DIVIDENDS/DISTRIBUTION

| | **2006 RMB'000** | 2005 RMB'000 |
|---|---|---|
| **Name of companies** | | |
| The Company | **27,519** | 49,988 |
| Chongqing Changtai Automobile Spare Parts Co., Ltd. | — | 5,406 |
| Guangzhou Minhui Automobile Parts Co., Ltd. | — | 54,377 |
| Relevant Business of Ningbo Guoya Automotive Co., Ltd. | — | 23,097 |
| Ningbo Shin Tai Machines Co., Ltd. | — | 50,510 |
| | **27,519** | 183,378 |
| *Less:* Dividends to minority owners of subsidiaries | — | 18,475 |
| | **27,519** | 164,903 |

In the annual general meeting held on 8 May, 2006, a final dividend of HKD0.033 per share in respect of the year ended 31 December, 2005 was approved by the shareholders and paid to the shareholders of the Company.

Dividend of the Company in the year of 2005 was declared prior to the listing, other dividends represented the dividends of the subsidiaries declared for prior years' distributable profit to their owners before the Reorganisation.

Distribution represents a deemed distribution of the retained profits of Ningbo Guoya as at 30 June, 2005 to Mr. Chin during the Group Reorganisation.

A final dividend of HKD0.097 per ordinary share for the year ended 31 December, 2006 has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting to be held on 8 May, 2007.

## 11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the equity holders of the Company is based on the following data:

| | **2006** | 2005 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Earnings for the purpose of basic earnings per share (profit for the year attributable to equity holders of the Company) | **268,701** | 195,067 |

| | Number of ordinary shares | |
|---|---|---|
| | **2006** | 2005 |
| | | *(note)* |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **830,000,000** | 618,465,753 |

*Note:* For the purpose of calculation of basic earnings per share for the year 2005, the weighted average number of 600,000,000 shares in issue was assumed that the Group Reorganisation was taken place on 1 January, 2005.

No diluted earnings per share has been presented for both 2006 and 2005 as there were no potential dilutive shares in issue in both years ended.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 12. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Furniture and equipment | Leasehold improvements | Motor vehicles | Plant and machinery | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| COST | | | | | | | |
| At 1 January, 2005 | 135,378 | 9,889 | 2,434 | 10,497 | 189,282 | 32,994 | 380,474 |
| Additions | 2,102 | 5,378 | 301 | 2,070 | 53,923 | 94,796 | 158,570 |
| Disposals | — | (514) | (257) | (615) | (4,687) | — | (6,073) |
| Transfers | 38,886 | — | — | — | 29,518 | (68,404) | — |
| At 31 December, 2005 | 176,366 | 14,753 | 2,478 | 11,952 | 268,036 | 59,386 | 532,971 |
| Additions | — | 11,064 | 420 | 5,384 | 41,785 | 101,403 | 160,056 |
| Acquired on acquisition of subsidiaries (note 26) | — | 123 | 1,338 | 354 | 8,269 | — | 10,084 |
| Disposals | (2,062) | (172) | (441) | (686) | (3,375) | — | (6,736) |
| Transfers | 60,270 | 142 | — | 349 | 52,658 | (113,419) | — |
| At 31 December, 2006 | 234,574 | 25,910 | 3,795 | 17,353 | 367,373 | 47,370 | 696,375 |
| DEPRECIATION | | | | | | | |
| At 1 January, 2005 | 11,131 | 3,103 | 1,425 | 2,494 | 27,168 | — | 45,321 |
| Provided for the year | 5,773 | 871 | 423 | 1,447 | 23,868 | — | 32,382 |
| Eliminated on disposals | — | (223) | (257) | (316) | (3,254) | — | (4,050) |
| At 31 December, 2005 | 16,904 | 3,751 | 1,591 | 3,625 | 47,782 | — | 73,653 |
| Provided for the year | 6,743 | 3,264 | 444 | 2,650 | 25,800 | — | 38,901 |
| Eliminated on disposals | — | (39) | — | (430) | (378) | — | (847) |
| At 31 December, 2006 | 23,647 | 6,976 | 2035 | 5,845 | 73,204 | — | 111,707 |
| CARRYING AMOUNT | | | | | | | |
| At 31 December, 2006 | 210,927 | 18,934 | 1,760 | 11,508 | 294,169 | 47,370 | 584,668 |
| At 31 December, 2005 | 159,462 | 11,002 | 887 | 8,327 | 220,254 | 59,386 | 459,318 |

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|---|---|
| Buildings | 4.5%–5.8% |
| Furniture and equipment | 9%–18% |
| Motor vehicles | 18% |
| Plant and machinery | 9% |
| Leasehold improvements | 18% |

The Group's property interests which are situated in the PRC are held under medium-term land use rights.

No interest was capitalised under construction in progress.

## 13. LEASE PREMIUM FOR LAND

| | 2006 RMB'000 | 2005 RMB'000 |
|---|---|---|
| CARRYING VALUE | | |
| At 1 January | **48,461** | 45,706 |
| Additions during the year | **25,283** | 3,843 |
| Charged for the year | **(1,828)** | (1,088) |
| At 31 December | **71,916** | 48,461 |
| Including: | | |
| Current portion | **1,764** | 1,096 |
| Non-current portion | **70,152** | 47,365 |
| At 31 December | **71,916** | 48,461 |

The carrying amount represents the prepayment of rentals for medium-term land use rights situated in the PRC for a period 50 years or the remaining period of the right, if shorter.

## 14. GOODWILL

| | 2006 RMB'000 |
|---|---|
| COST | |
| Acquired on acquisition of a subsidiary and balance at 31 December *(Note 26)* | **10,718** |

The goodwill held by the Group as at 31 December, 2006 arose on the acquisition of a subsidiary, Jiaxing Minrong Automotive Parts Co., Ltd. ("Jiaxing Minrong") (details set out in Note 26).

During the financial year, the Group assessed the recoverable amount of goodwill. The recoverable amount of Jiaxing Minrong's operation was assessed by reference to the cash-generating unit's value in use. The directors assessed that the goodwill was not impaired.

### Impairment test of goodwill

As at 31 December, 2006, the carrying amount of goodwill allocated to the cash-generating unit of Jiaxing Minrong is RMB10,718,000. The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on discounted financial budgets approved by management covering a five-year period, and a discount rate of 14.3% per annum.

Cash flow projection during the budget period for the cash-generating unit is based on reasonable expected gross margins and considering the inflation in raw materials price during the budget period. Management believes that any reasonably possible change in these key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of those cash-generating units.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 15. INTANGIBLE ASSETS

| | Patent | Technical know-how | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| **THE GROUP** | | | |
| COST | | | |
| At 1 January, 2005 | 1,621 | 7,429 | 9,050 |
| Additions | — | 5,810 | 5,810 |
| At 31 December, 2005 | 1,621 | 13,239 | 14,860 |
| Additions | — | 3,269 | 3,269 |
| At 31 December, 2006 | 1,621 | 16,508 | 18,129 |
| AMORTISATION | | | |
| At 1 January, 2005 | — | 1,479 | 1,479 |
| Amortised for the year | 326 | 1,869 | 2,195 |
| At 31 December, 2005 | 326 | 3,348 | 3,674 |
| Amortised for the year | 214 | 3,196 | 3,410 |
| At 31 December, 2006 | 540 | 6,544 | 7,084 |
| CARRYING VALUES | | | |
| At 31 December, 2006 | 1,081 | 9,964 | 11,045 |
| At 31 December, 2005 | 1,295 | 9,891 | 11,186 |

The intangible assets included above have finite useful lives over which the assets are amortised. The amortisation period for both patent and technical know-how is five years.

## 16. INVESTMENT IN JOINTLY CONTROLLED ENTITIES

| | 2006 | 2005 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Cost of unlisted investment in jointly controlled entities | **37,991** | 8,071 |
| Share of post-acquisition losses | **(2,648)** | — |
| Investment in jointly controlled entities | **35,343** | 8,071 |

## 16. INVESTMENT IN JOINTLY CONTROLLED ENTITIES (continued)

| Name of entities | Country of incorporation/ establishment | Attributable equity interest of the Group | Paid in capital | Principal activities |
|---|---|---|---|---|
| Jiaxing Kittel-Minth Automotive Co. Ltd *(Note 1)* | PRC | 50% | USD3,000,000 | Manufacture of Automotive parts |
| Jiaxing Shinyou Mould. Tech Co., Ltd *(Note 2)* | PRC | 50% | USD5,000,000 | Design and Manufacture of mould |
| Ningbo Xinhong Precious Machine Co., Ltd. *(Note 2)* | PRC | 50% | USD1,500,000 | Design and Manufacture of stamping dies |
| Jiaxing Minth Hashimoto Automotive Co., Ltd. *(Note 3)* | PRC | 50% | USD— | Manufacture of automotive parts |

*Note 1:* The Group hold 50% of a jointly controlled entity named Constant Gain International Limited established in British Virgin Islands, which have 100% entity interest in Jiaxing Kittel-Minth Automotive Parts Company Limited.

*Note 2:* These entities were established in 2006.

*Note 3:* The entity set up in 2006 and the capital has not been paid.

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using equity method is set out below:

| | **2006 RMB'000** | 2005 RMB'000 |
|---|---|---|
| Current assets | **25,158** | 8,071 |
| Non current assets | **58,487** | — |
| Current liabilities | **12,959** | — |

| | **2006 RMB'000** | 2005 RMB'000 |
|---|---|---|
| Revenue | **7,438** | — |
| Loss for the year | **(5,296)** | — |
| Share of the losses for the year | **(2,648)** | — |

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 17. INTERESTS IN ASSOCIATES

| | 2006 RMB'000 | 2005 RMB'000 |
|---|---|---|
| Cost of unlisted investment in associates | **28,881** | 19,511 |
| Share of post-acquisition profits, net of dividends received | **22,669** | 11,722 |
| Share of net assets | **51,550** | 31,233 |

| Name of entities | Country of incorporation/ establishment | Attributable equity interest of the Group | Paid-in capital | Principal activities |
|---|---|---|---|---|
| Ningbo Tokai Minth Automotive Parts Co., Ltd. | PRC | 48% | USD4,800,000 | Manufacturing of automotive parts |
| Guangzhou Tokai Minth Automotive Parts Co., Ltd. *(note)* | PRC | 48% | USD2,500,000 | Manufacturing of automotive parts |

*Note:* The entity was established in March 2006.

Summarised financial information in respect of the Group's associates is set out below:

| | 2006 RMB'000 | 2005 RMB'000 |
|---|---|---|
| Total assets | **163,166** | 105,813 |
| Total liabilities | **55,770** | 40,745 |
| Net assets | **107,396** | 65,068 |
| Group's share of the associates' net assets | **51,550** | 31,233 |

| | 2006 RMB'000 | 2005 RMB'000 |
|---|---|---|
| Revenue | **215,050** | 119,200 |
| Profit for the year | **44,097** | 24,421 |
| Group's share of the associates' profit for the year | **21,167** | 11,722 |

## 18. ADVANCES TO JOINT VENTURE PARTNERS

The advances represent the Group's advances granted to the joint venture partners of joint controlled entities which are interest free. Pursuant to the agreements, the loans will be repaid by the dividend income attributable to the joint venture partners from the jointly controlled entities.

The directors consider that the carrying amounts of the loan receivables close to their fair values.

## 19. INVENTORIES

| | **2006 RMB'000** | 2005 RMB'000 |
|---|---|---|
| Raw materials | **50,419** | 49,306 |
| Work in progress | **51,785** | 48,826 |
| Finished goods | **32,959** | 23,233 |
| Moulds | **84,347** | 54,575 |
| | **219,510** | 175,940 |

## 20. TRADE AND OTHER RECEIVABLES

| | **2006 RMB'000** | 2005 RMB'000 |
|---|---|---|
| Trade receivables | | |
| — associates | **16,237** | 10,637 |
| — jointly controlled entities | **5,402** | — |
| — third parties | **170,566** | 139,669 |
| | **192,205** | 150,306 |
| Bill receivables | **26,205** | 22,468 |
| | **218,410** | 172,774 |
| Prepayment for purchase of raw materials | **19,522** | 19,499 |
| Other receivables | **10,015** | 7,258 |
| | **247,947** | 199,531 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 20. TRADE AND OTHER RECEIVABLES (continued)

Payment terms with customers are mainly on credit. Invoices are normally payable from 60 days to 90 days from the time when the goods are verified and accepted by customers. The following is an aged analysis of trade receivables and bills receivables at the balance sheet date:

| | **2006** **RMB'000** | 2005 RMB'000 |
|---|---|---|
| **Age** | | |
| 0 – 90 days | **209,382** | 167,228 |
| 91 – 180 days | **8,342** | 2,138 |
| 181 – 365 days | **227** | 3,347 |
| 1 – 2 years | **459** | 61 |
| | **218,410** | 172,774 |

The Group's trade receivables which are not denominated in the functional currencies of the respective entities are as follows:

| **Original currency** | **USD** RMB'000 | **JPY** RMB'000 | **AUS** RMB'000 | **EURO** RMB'000 | **Total** RMB'000 |
|---|---|---|---|---|---|
| At 31st December, 2006 | 23,003 | 1 | 539 | 1,044 | 24,587 |
| At 31st December, 2005 | 17,537 | 1,258 | 426 | — | 19,221 |

The directors consider that the carrying amounts of trade and other receivables approximate their fair values.

## 21. OTHER FINANCIAL ASSETS

### Pledged bank deposits and bank balances and cash

The pledged bank deposits and certain bank balances and cash of RMB85,817,000 and RMB149,262,000 at 31 December, 2005 and 31 December, 2006, respectively were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

The pledged bank deposits were secured for short-term banking facilities from the banks in respect of purchases of materials for manufacturing and are therefore classified as current assets. The bank balances and pledged deposits are carrying interest at an effective interest rate of 1.98% per annum.

The directors consider that the carrying amounts of pledged bank deposits and bank balances and cash approximate their fair values.

## 22. TRADE AND OTHER PAYABLES

| | 2006<br>RMB'000 | 2005<br>RMB'000 |
|---|---|---|
| Trade payables | | |
| — associates | **2,358** | 1,244 |
| — third parties | **98,931** | 80,398 |
| | **101,289** | 81,642 |
| Bills payables | **17,948** | 31,147 |
| | **119,237** | 112,789 |
| Payroll and welfare payables | **21,922** | 14,569 |
| Advance from customers | **17,287** | 10,639 |
| Consideration payable of acquisition of property, plant and equipment | **45,986** | 40,390 |
| Dividend payable to minority owners of subsidiaries | **—** | 2,390 |
| Technology support services fees payable | **7,736** | 5,033 |
| Others | **19,642** | 17,324 |
| | **231,810** | 203,134 |

The following is an aged analysis of trade payables and bills payable at the balance sheet date:

| | 2006<br>RMB'000 | 2005<br>RMB'000 |
|---|---|---|
| **Age** | | |
| 0 to 90 days | **117,151** | 110,427 |
| 91 to 180 days | **624** | 1,692 |
| 181 to 365 days | **377** | 153 |
| 1 – 2 years | **682** | 497 |
| Over 2 years | **403** | 20 |
| | **119,237** | 112,789 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 22. TRADE AND OTHER PAYABLES (continued)

The Group's trade payables which are not denominated in the functional currencies of the respective entities are as follows:

| Original currency | USD | JPY | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| At 31 December, 2006 | 7,430 | 6,935 | 14,365 |
| At 31 December, 2005 | 4,687 | 1,905 | 6,592 |

The directors consider that the carrying amounts of trade and other payables approximate their fair values.

## 23. SHORT-TERM BANK LOANS

The carrying amounts of the Group's short-term bank loans are denominated in the following currencies which exposed the Group to currency risk:

| Original currency | RMB | USD | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| At 31 December, 2006 | 38,154 | — | 38,154 |
| At 31 December, 2005 | 80,800 | 33,895 | 114,695 |

The short-term bank loans as at 31 December, 2006 and 2005 are carrying interest at rates ranging from and 3.6% to 4.3% (2005: 4.5% to 5.2%) per annum respectively.

The short-term bank loans at 31 December, 2006 of RMB38,154,000 (31 December, 2005: RMB80,800,396) are arranged at fixed interest rates which exposed the Group to fair value interest rate risk.

Other short-term bank loans as at 31 December, 2005 were arranged at floating rates, these rates exposed the Group to cash flow interest rate risk.

The directors consider that the carrying amounts of short-term bank loans approximate their fair values.

## 24. LONG-TERM BANK LOANS

The carrying amounts of the Group's long-term bank loans as at 31 December, 2005 were denominated in United States Dollars and are arranged at floating rates exposing the Group to currency and cash flow interest rate risk.

The long-term bank loans at 31 December, 2005 are unsecured and carry interest at rates ranging from 4.900% to 5.854%, which were fully repaid in current year.

## 25. SHARE CAPITAL

| | Number of shares | Amount |
|---|---|---|
| | | HKD'000 |
| Ordinary shares of HKD0.1 each | | |
| Authorised: | | |
| — On the date of incorporation *(note a)* | 3,800,000 | 380 |
| — Increase in 2005 *(note b)* | 4,996,200,000 | 499,620 |
| As at 31 December, 2006 and 2005 | 5,000,000,000 | 500,000 |

| | Number of shares | Amount |
|---|---|---|
| | | RMB'000 |
| Issued and fully paid in 2005: | | |
| — Allotted and issued on the date of incorporation *(note a)* | 1 | — |
| — Issue of shares pursuant to the Group Reorganisation *(note a)* | 99,999 | 11 |
| — Issue and allot of shares *(note b)* | 599,900,000 | 62,407 |
| Subtotal after the Group Reorganisation | 600,000,000 | 62,418 |
| — Issue of shares by placing, public offering and exercise of over-allotment option *(note c)* | 230,000,000 | 23,927 |
| As at 31 December, 2006 and 2005 | 830,000,000 | 86,345 |

*Notes:*

(a) The Company was incorporated on 22 June, 2005 with an authorised share capital of HKD380,000 divided into 3,800,000 shares of HKD0.10 each. On 29 June, 2005, one share was allotted and issued. On 30 June, 2005, the Company issued 99,999 shares pursuant to Group Reorganisation.

(b) As part of the Group Reorganisation, pursuant to a written resolution of all the shareholders passed on 13 November, 2005:

i. the authorised share capital of the Company was increased from HKD380,000 to HKD500,000,000 by the creation of an additional 4,996,200,000 shares, with such new shares ranking *pari passu* in all respects with the existing shares; and

ii. 599,900,000 shares for allotment and issue to the holders of shares whose name appear on the register of members of the Company at close of business on 13 November, 2005 (or as they may direct), pro-rata to its/their then existing shareholdings (or as nearly as possible without involving fractions) in the Company.

(c) On 1 December, 2005 and 12 December, 2005, the Company allotted and issued 200,000,000 shares of HKD0.10 each upon listing of the shares on the Main Board of the Stock Exchange and 30,000,000 shares of HKD0.10 each upon the exercise of the over-allotment options, both at a price of HKD2.25 per share, respectively. These shares rank *pari passu* with the then existing shares.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 26. ACQUISITION OF A SUBSIDIARY

On 30 April, 2006, the Group acquired 70% of the issued share capital of Jiaxing Minrong Automotive Parts Co., Ltd. ("Jiaxing Minrong") from a third party for considerations of RMB21,101,000.

The net assets acquired in the transactions, and the goodwill arising, are as follows:

| | **Jiaxing Minrong**<br>RMB'000<br>*(Note)* |
|---|---|
| Net assets acquired: | |
| Equipments | 10,084 |
| Inventories | 5,537 |
| Trade and other receivables | 9,777 |
| Bank balances and cash | 995 |
| Trade and other payables | (11,291) |
| Taxation payable | (269) |
| | 14,833 |
| Minority interests | (4,450) |
| Goodwill | 10,718 |
| Total consideration satisfied by cash | 21,101 |
| Net cash outflow arising on acquisitions: | |
| Cash consideration | (21,101) |
| Bank balances and cash acquired | 995 |
| | (20,106) |

*Note:* The fair value of the assets acquired equals to the entity's carrying amount before combination.

The consideration paid for the combination included amounts in relation to the benefit of expected synergies and the assembled workforce.

The entity acquired contributed RMB2 million to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January, 2006, the total group revenue for the year would have been RMB959 million, and profit for the year would have been RMB277 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January, 2006, nor is it intended to be a projection of future results.

## 27. ASSETS ACQUIRED THROUGH ACQUISITION OF A SUBSIDIARY

On 31 August, 2006, the Group acquired the land use right of a piece of land through an acquisition of 100% of the issued share capital of Chongqing Minte Automotive Parts Co., Ltd. (''Chongqing Minte'') from a third party. The consideration for the acquisition amounted to RMB6,636,000.

## 28. OPERATING LEASE ARRANGEMENTS

### The Group as lessee

At the balance sheet date, the Group was committed to make the following future minimum lease payments in respect of buildings rented under non-cancellable operating leases which fall due as follows:

| | **2006 RMB'000** | 2005 RMB'000 |
|---|---|---|
| Within one year | **1,492** | 728 |
| In the second to fifth year inclusive | **1,083** | 453 |
| After five years | **—** | 816 |
| | **2,575** | 1,997 |

Operating lease payments represent rentals payable by the Group for certain of its properties. The leases terms are negotiated from 1 to 5 years and rentals are fixed for the terms.

### The Group as lessor

The Group rents out a part of its buildings under operating lease. Property rental income earned during the year was RMB3,015,000 (2005: RMB3,850,000).

At the balance sheet date, the Group has contracted with tenants for the following future minimum lease payments:

| | **2006 RMB'000** | 2005 RMB'000 |
|---|---|---|
| Within one year | **1,324** | 680 |
| In the second to fifth year inclusive | **340** | 54 |
| | **1,664** | 734 |

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*For the year ended 31 December, 2006*

## 29. CAPITAL COMMITMENTS

| | **2006** **RMB'000** | 2005 RMB'000 |
|---|---|---|
| Capital expenditure contracted for but not provided in the financial statements in respect of: | | |
| Acquisition of property, plant and equipment | **24,403** | 46,285 |
| Investment in a jointly controlled entity | **31,235** | 4,035 |

## 30. OTHER COMMITMENTS

Pursuant to an agreement dated 20 June, 2005 and two supplemental agreements dated 31 July, 2005 and 10 November, 2005 entered into between the Group and Sankei Giken Holding Co., Ltd. (''Sankei''), the minority shareholders of a subsidiary, the Group is committed to pay a fixed contracted annual payment of USD393,385 to Sankei as the profit attributable to Sankei for each of the four years ending 31 December, 2008 from the year of 2005, except the payment, Sankei does not share any profit of the subsidiary during the four year's period.

## 31. RETIREMENT BENEFITS SCHEME

The employees of the Group's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligations of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

## 32. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Saved as disclosed in notes 18 and 30, the Group has the following significant transactions with related/connected parties during the year:

| Relationship with related/connected party | Nature of transactions | 2006 RMB'000 | 2005 RMB'000 |
|---|---|---|---|
| Jointly controlled entities, in which the Company has 50% equity interest | Sales of goods | **5,054** | — |
| Associates, in which the Company has 48% equity interest | Sales of goods | **72,991** | 47,315 |
| | Purchase of raw materials | **7,666** | 4,237 |
| | Proceeds from disposal of property, plant and equipment received | **370** | 427 |
| | Property rentals received | **1,238** | 1,859 |
| | Testing services income received | **273** | 100 |
| Minority owner of subsidiaries | Sales of goods | **16,955** | — |
| | Technology support services fees paid | **3,554** | 3,395 |
| | Purchase of raw material | **12,992** | 225 |
| Director of the Company Mr. Chin | Acquisition of an associate | **—** | 19,511 |
| Companies in which Mr. Chin, has interests | Sales of goods | **—** | 17,700 |
| | Purchase of raw materials | **—** | 13,959 |
| | Purchase of property, plant and equipment | **—** | 2,484 |
| | Proceeds from disposal of property, plant and equipment received | **—** | 149 |
| | Property rentals received | **316** | 914 |
| | Testing service income | **—** | 13 |
| | Interest income | **—** | 204 |
| Companies in which a minority owner of a subsidiary has interests* | Sales of goods | **61,293** | 64,704 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 32. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (continued)

The transactions with the companies marked with an asterisk "*" represent the transactions with the affiliates of minority owner of a subsidiary, Chongqing Changtai Automobile Parts Co., Ltd., before the completion of the acquisition of minority interests by the Group.

The directors represented that they considered the above transactions were carried out in the Group's ordinary and usual course of business and in accordance with the term of agreements governing these transactions.

The remuneration of directors and other members of key management during the year was as follows:

| | **2006** | 2005 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Short-terms benefits | **5,835** | 3,721 |
| Post-employment benefits | **56** | 25 |
| | **5,891** | 3,746 |

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trend.

## 33. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December, 2006 are as follows:

| Name of subsidiary | Country of incorporation/ establishment | Attributable equity interest of the Group | Issued shares | Principal activities |
|---|---|---|---|---|
| Decade Industries Limited | British Virgin Islands | 100% | USD1 | Investment holding |
| Forecast Industries Limited | British Virgin Islands | 100% | USD1 | Investment holding |
| Mindway Holdings Limited | British Virgin Islands | 100% | USD1 | Investment holding |
| Sinoone Holdings Limited | British Virgin Islands | 100% | USD1 | Investment holding |
| Wealthfield Holdings Limited *(Note i)* | British Virgin Islands | 100% | USD1 | Investment holding |
| Cheerplan Holdings Limited *(Note i)* | British Virgin Islands | 100% | USD1 | Investment holding |

## 33. SUBSIDIARIES (continued)

| Name of subsidiary | Country of incorporation/ establishment | Attributable equity interest of the Group | Registered capital | Principal activities |
|---|---|---|---|---|
| 福州信泰汽車零部件有限公司 (Fuzhou Shintai Automotive Parts Co., Ltd.) ("Fuzhou Shintai") | PRC for a term of 50 years as a wholly-owned foreign investment enterprise ("WOFE") | 100% | USD1,050,000 | Manufacture, process and sales of exterior automobile body parts |
| 重慶長泰汽車零部件有限公司 Chongqing Changtai Automobile Spare Parts Co., Ltd. ("Chongqing Changtai") | PRC for a term of 20 years as a WOFE | 100% *(Note v)* | USD4,200,000 | Manufacture and sales of exterior automobile body parts |
| 廣州敏惠汽車零部件有限公司 Guangzhou Minhui Automobile Parts Co., Ltd. ("Guangzhou Minhui") | PRC for a term of 20 years as a sino foreign joint venture | 70% *(Note 30)* | USD5,350,000 | Manufacture, process and sales of exterior automobile body parts equity |
| 海南精瑞汽車零部件有限公司 (Hainan Jingrui Automotive Co., Ltd.) ("Hainan Jingrui") | PRC for a term of 10 years as a WOFE | 100% | USD1,000,000 | Manufacture and sales of exterior automobile body parts |
| 嘉興敏惠汽車零部件有限公司 (Jiaxing Minhui Automotive Parts Co., Ltd.) ("Jiaxing Minhui") | PRC for a term of 20 years as a WOFE | 100% | USD12,000,000 | Manufacture and sales of exterior automobile body parts |
| 寧波國鴻汽車零部件有限公司 (Ningbo Guohong Automotive Co., Ltd.) ("Ningbo Guohong") | PRC for a term of 50 years as a WOFE | 100% | USD4,800,000 | Design, manufacture, develop and sales of exterior automobile body parts |
| 寧波信泰機械有限公司 Ningbo Shintai Machines Co., Ltd. ("Ningbo Shin Tai") | PRC for a term of 20 years as a WOFE | 100% | USD12,000,000 | Design, manufacture, develop and sales of exterior automobile body parts |

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 33. SUBSIDIARIES (continued)

| Name of subsidiary | Country of incorporation/ establishment | Attributable equity interest of the Group | Registered capital | Principal activities |
|---|---|---|---|---|
| 天津信泰汽車零部件有限公司 (Tianjin Shintai Automotive Parts Co., Ltd.) ("Tianjin Shintai") | PRC for a term of 20 years as a sino foreign equity joint venture | 80% *(Note iv)* | USD2,500,000 | Manufacture and sales of exterior automobile body parts |
| 廣州敏瑞汽車零部件有限公司 (Guangzhou Minrui Automobile Parts Co., Ltd.) ("Guangzhou Minrui") | PRC for a term of 50 years as a WOFE | 100% | USD5,000,000 | Manufacture and sales of exterior automobile body parts |
| 武漢敏惠汽車零部件有限公司 (Wuhan Minhui Automobile Parts Co., Ltd.) ("Wuhan Minhui") | PRC for a term of 50 years as a WOFE | 100% | USD3,000,000 | Manufacture and sales of exterior automobile body parts |
| 嘉興敏榮汽車零部件有限公司 (Jiaxing Minrong Automotive Parts Co., Ltd.) ("Jiaxing Minrong") *(Note iii)* | PRC for a term of 20 years as a WOFE | 70% | USD1,510,000 | Manufacture and sales of exterior automobile body parts |
| 嘉興敏勝汽車零部件有限公司 (Jiaxing EL Triumph Automotive Parts Co., Ltd.) ("Jiaxing EL Triumph") *(Note ii)* | PRC for a term of 20 years as a WOFE | 80% | USD1,700,000 | Manufacture and sales of exterior automobile body parts |
| 上海亞昊汽車產品設計有限公司 (Shanghai Cogen Research and Design Co., Ltd.) ("Shanghai Cogen") *(Note ii)* | PRC for a term of 15 years as a WOFE | 100% | USD600,000 | Design of automobile exterior, interior decorative parts |

## 33. SUBSIDIARIES (continued)

| Name of subsidiary | Country of incorporation/ establishment | Attributable equity interest of the Group | Registered capital | Principal activities |
|---|---|---|---|---|
| 重慶敏特汽車零部件有限公司 Chongqing Minte Automobile Spart Parts Co., Ltd. ("Chongqing Minte") *(Note iii)* | PRC for a term of 10 years as a WOFE | 100% | USD5,000,000 | Manufacture and sales of exterior automobile body parts |
| 展圖(中國)投資有限公司 Cheerplan (China) Investments Co., Ltd. *(Note ii)* | PRC for a term of 50 years as a WOFE | 100% | USD30,000,000 | Investment |

*Note i* Directly held by the Company, all other interests shown above are indirectly held by the Company.

*Note ii* Newly established in 2006.

*Note iii* Acquired in 2006, details set forth in note 27.

*Note iv* On 10 May, 2006, the Group disposed 20% interest in Tianjin Shintai to a third party, Aisin Tianjin at a consideration of USD500,000.

*Note v* On 11 September, 2006, The Group acquired additional 20% equity interest held by Yi Er Qi in Chongqing Changtai for a total consideration of RMB8,064,840. Upon completion of Acquisition, Chongqing Changtai will be indirectly wholly-owned by the Group.

None of the subsidiaries had issued any debt securities at the end of the year.

# Notes to the Consolidated Financial Statements

*For the year ended 31 December, 2006*

## 34. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 1 February, 2007, the board of directors agreed to adopt the Share Option Scheme based on an ordinary resolution passed by the shareholders of the Company on 13 November, 2005. Pursuant to the Share Option Scheme, as incentives and rewards to the directors, certain managements and employees (''Grantee'') for their contribution to the Group, the Company granted 20,800,000 shares to the Grantee at exercise price of HKD6.31 which was determined as the closing price of the shares of the Company on the daily quotations of the Stock Exchange on the date of grant of the Options.

The Share Option Scheme entitled the Grantee to exercise 50% of the total granted options after the end of the first twelve months and exercise the remaining 50% of options after the end of the twenty-four months from the date of acceptance of the Options.

The management of the Company is still in the process of determining the fair value of the Options granted.

(b) On 28 March, 2007, the directors proposed a final dividend of HKD0.097 per share to the shareholders on the register of members on 8 May, 2007, amounting to approximately HKD80,510,000.