Annual Report 2007

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

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 *(Chairman)*
Shi, Jian Hui
Mu, Wei Zhong
Zhao, Feng

Non-executive directors

Shaw Sun Kan, Gordon
Mikio Natsume
Tokio Kurita
Yu Zheng

Independent Non-executive directors

Heng, Kwoo Seng
Wang, Ching
Zhang, Liren

Company secretary

Loke Yu

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.minthgroup.com

Principal place of business in Hong Kong

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One Hysan Avenue
Causeway Bay
Hong Kong

Principal bankers

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

China Construction Bank
Jiaxing branch
198, ZiYang Street
Jiaxing
China

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road, Central
Hong Kong

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
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Legal advisers to the Company

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Richards Butler
in association with Reed Smith LLP
20th Floor Alexandra House
16–20 Chater Road, Central
Hong Kong

As to PRC Law
Zhong Kai & Partners
5th Floor, East Gate, Building No. 24
24A Huang Si Avenue, Dewai,
Xi Cheng District,
Beijing

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

Summary of Financial Information

A summary of the results, assets and liabilities of the Group for the last five financial years is as follows:

	For the year ended 31 December				
	2003	2004	2005	2006	**2007**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Result					
Turnover	298,776	464,178	678,606	956,232	**1,408,747**
Profit before tax	105,279	151,009	210,287	289,589	**394,011**
Income tax expense	(3,282)	(6,251)	(12,179)	(14,483)	**(28,196)**
Profit for the year	101,997	144,758	198,108	275,106	**365,815**
Attributable to:					
Equity holders of the company	98,741	123,091	195,067	268,701	**359,865**
Minority interests	3,256	21,667	3,041	6,405	**5,950**
	101,997	144,758	198,108	275,106	**365,815**

	As at 31 December				
	2003	2004	2005	2006	**2007**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets and Liabilities					
Total assets	686,983	834,934	1,407,136	1,490,854	**3,412,728**
Total liabilities	(376,723)	(404,118)	(434,342)	(273,691)	**(416,093)**
	310,260	430,816	972,794	1,217,163	**2,996,635**
Equity attributable to equity holders of the company	297,678	390,754	947,625	1,182,683	**2,957,569**
Minority interests	12,582	40,062	25,169	34,480	**39,066**
	310,260	430,816	972,794	1,217,163	**2,996,635**

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 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

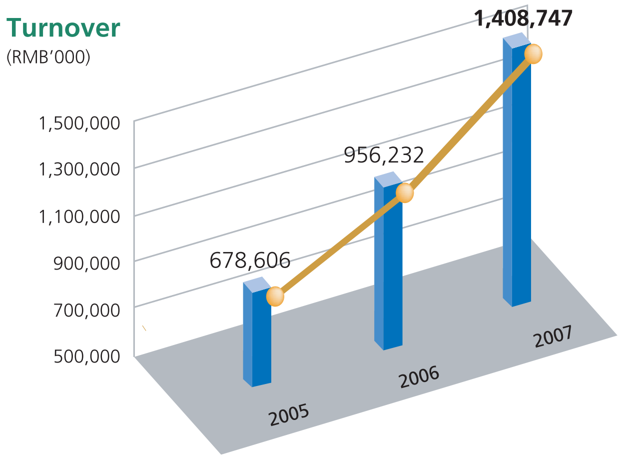
I am pleased to present to all our shareholders the annual report of Minth Group Limited (hereafter referred to as the "Company") and together with its subsidiaries (collectively referred to as the "Group") for the financial year ended 31 December 2007. The Company recorded impressive business growth in 2007. We completed and optimized the strategic network of our domestic market and had achieved significant breakthrough in developing overseas markets. I would like to attribute our success to the great efforts devoted by our senior management and all of our staff and the support and trust from our shareholders and business partners.

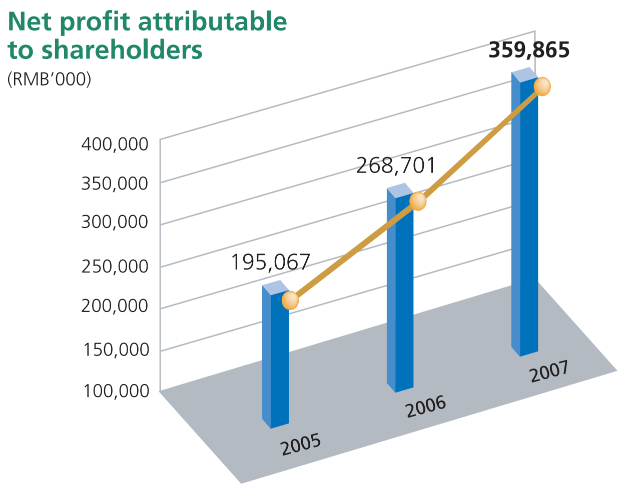
Financial performance

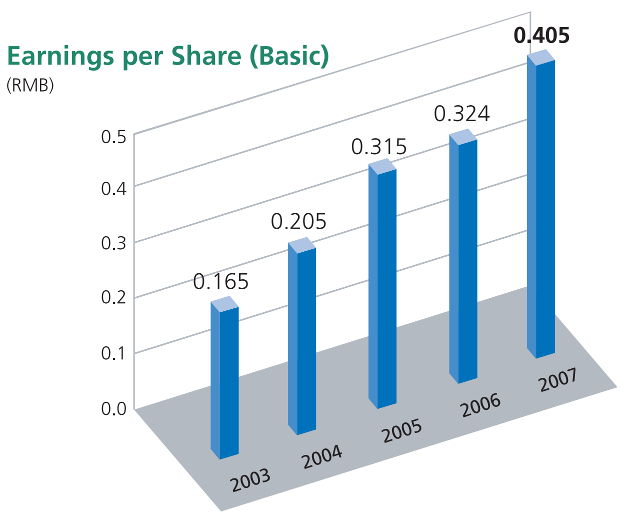
The results of the Group represented a continuous and rapid growth in 2007. Turnover for the year ended 31 December 2007 amounted to approximately RMB1,408,747,000, representing a growth of approximately 47.3% from approximately RMB956,232,000 in 2006.

The gross profit for the financial year ended 31 December 2007 amounted to approximately RMB550,402,000, representing an increase of approximately 46.2% as compared to approximately RMB376,397,000 in 2006. The gross margin in 2007 was approximately 39.1%, which remained at similar level as compared to approximately 39.4% in 2006.

Net profit attributable to shareholders of the Company (the "Shareholders") amounted to approximately RMB359,865,000, representing a growth of approximately 33.9% from approximately RMB268,701,000 in 2006. The Group had started to increase its overseas investment since 2007, while the majority of the Group's revenue was still from the PRC in 2007. Given this, the Company's functional currency was determined as Renminbi, which resulted in foreign exchange losses of approximately RMB57,376,000. With the furtherance of the Group's overseas investment, the Company's functional currency may be determined as the Hong Kong ("HK") dollar in the future.







Review on operations

Earnings in-line with expectations

During the year under review, the Group benefited from the rapid growth of the PRC passenger car industry and at the same time, further strengthened and enhanced the comprehensive competitiveness of the Group's three core product categories internally, i.e. trims, decorative parts and body structural parts. We fully explored the potential of market capacity, expanded and developed new customers and products and deepened our strategic network in both domestic and overseas markets. In terms of average growth, we achieved leading remarkable results among our industry peers. The Group achieved an increase of approximately 33.9% in net profit attributable to shareholders when compared to 2006, which was in-line with the previous operation target set by the management and the profit forecast of the Group.

Completion and optimization of the network in domestic market

During the year under review, the Group further expanded its investments in those regions such as Jiaxing and Changchun in the PRC after taking into consideration client relationships, locations, consolidated investment costs and business models. In addition to the five newly established subsidiaries, the Group acquired the control of three previously jointly controlled entities through acquiring their equity interests. These companies are engaged in the key businesses of the Group such as core products manufacturing, mould design and manufacturing, and extended business involving passenger car minor change design and accessory design.

The Group achieved its previous operation target of its domestic market results comfortably and further obtained 146 new projects. This has laid down a solid base for our development for 2007 and in future. During the year 2007, the Group continued to supply products and services to the factories of joint ventures established by multinational automakers which includes Honda Motor Company ("Honda"), Nissan Motor Co., Ltd ("Nissan"), Toyota Motor Corporation ("Toyota"), General Motors Corporation ("GM"), Ford Motor Company ("Ford"), Chrysler Motors LLC ("Chrysler"), Bayerische Motoren Worke ("BMW"), Volkswagen AG Group ("Volkswagen"), PSA Peugeot Citroen ("Peugeot Citroen") and Hyundai Motor Company ("Hyundai"). Moreover, the Group successfully entered into the supplier system of BYD Company Ltd. and Dongfeng Yueda-KIA Automobile Company Ltd. and our business arena covered major global automobile manufacturers that have joint-ventures in the People's Republic of China ("PRC"). Besides customer development, the Group has also focused on the development of new product mix in 2007. We had developed new products, namely, seat sliding rail, seat frame, skylight division bar and electric sliding door. The successful developments of those new products had given us great confidence in the future business development of the Group.

Progressive set-up of the network in overseas markets

During the year under review, the Group's global strategy had achieved major breakthroughs. It upgraded its offices in North America and Japan as its wholly-owned subsidiaries successively and had established new offices in Australia. At the same time, by investing jointly with its strategic partners Sojitz Corporation, the Group had established Plastic Trim International Inc., and acquired all the assets, assumed liabilities and businesses which originally belonged to Plastic Trim, LLC. The setting up of the joint venture signifies an important milestone in the global business development of the Group and will facilitate in enhancing the international business strengths of the Company. In view of its strategic moves in capturing bigger market share in South-east Asian markets in coping with the policy change in the PRC's domestic market, cost increases and exchange rate risks, the Group had entered into a joint-venture agreement with Aapico Hitech Public Company Limited, a local automobile parts supplier in Thailand. A joint venture company, Minth Aapico (Thailand) Co., Ltd. was established subsequent to the year end.

By leveraging on both the domestic and overseas production facilities network mentioned above, coupled with its customer base, the Group had already structured a strategic layout of its domestic market in the PRC as well as overseas markets. I believe such a network will lay a solid foundation for our businesses in both the domestic and overseas markets and is expected to contribute effective support and concrete contributions to the financial performance in the coming years.

Enhancement in consolidated R&D capabilities

For the financial year ended 31 December 2007, the Group continued to put great efforts in enhancing the comprehensive R&D capabilities, increasing its investment in resources in technology development. Our R&D expenditures increased by approximately 54.8% when compared to 2006. In 2007, for the first time, the Group had succeeded in the concurrent design of door frame. It is also the first time for the Group to participate in the concurrent design projects with Nissan Shatai and Dongfeng Nissan in collaboration with Japanese design companies. It had entered into 9 new technical co-operative contracts with our Japanese partners. The primary target of the R&D work is to continue in professionalizing the technique and expanding the production in plastic injection mould, stamping dies and surface treatment processes. During the year, the Group had basically completed the re-structuring of its internal resources and workflow system. Apart from its core products, the R&D of new products in other categories is progressing well.

I believe that R&D capabilities 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. The Group will further increase its investment in R&D 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 about the latest developments of the Company.

Future prospect

I am confident that, benefiting from the booming Chinese passenger vehicle market, the Group will further increase its market share in China, extend its product line, advance its production network in overseas low cost countries and global sales network, with the aim to become a new global industry leader.

Acknowledgment

On behalf of the board (the "Board") of directors ("Directors") of the Company, 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 their trust and support to us. We believe that with the co-operation and support of all of you, we will create and deliver greater value for our investors in future.

CHIN JONG HWA
Chairman
1 April 2008

Management Discussion and Analysis

Industry Overview

During the year 2007, the competition in the Chinese passenger car market was increasingly fierce. The increase in labor cost, fluctuation in raw material price, and the expedited pace of new automobile model launches of the Original Equipment Manufacturers ("OEMs") together with other facts raised the entry barrier of the industry of auto-parts manufacture. The OEMs have represented their intention to purchase from suppliers with decent scale, concurrent design capabilities as well as high-standard quality and cost control capabilities.

During the year 2007, the Group continued to implement its strategy in client selection, joint procurement and collaboration with suppliers. We strived to promote our standard in quality control system, increase our investment in R&D, fortify our expansion in overseas sales and network and optimized the network of our domestic market. The above had further increased our market share in the PRC domestic market and further strengthened our leading position in the industry. At the same time, our overseas market network was initially constructured and resulted in a stable growth in our overseas businesses. 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 2007, we achieved our previous operation target of our domestic market comfortably and further obtained 146 new projects. This has laid down a solid base for our development for 2007 and in future. During the year 2007, the Group continued to supply products and services to the factories of joint ventures established by multinational automakers which includes Honda, Nissan, Toyota, GM, Ford, Chrysler, BMW, Volkswagen, Peugeot Citroen and Hyundai. Moreover, the Group successfully entered into the supplier system of BYD Company Ltd. and Dongfeng Yueda KIA Automobile Company Ltd. and our business arena covered major global automobile manufacturers that have joint-ventures in the PRC. Besides customer development, the Group also focused on the development of new product mix in 2007. We had developed new products, namely, seat sliding rail, seat frame, skylight division bar and electric sliding door. The successful developments of those new products had given us great confidence in the future business development of the Group.

In 2007, the Group's overseas businesses in the North American, European and Asian markets had sustained stable growth. The Group continued to receive and follow up orders of global platform vehicles for GM, Ford and Nissan. Moreover, the Group obtained supply contracts and/or concurrent design orders for respective car models from major passenger car manufacturers such as Chrysler in the USA, Volvo, Daimler and Volkswagen in Europe and AAT in Thailand. We were also awarded the Tier 1 supplier qualifications from prominent auto-part suppliers like Vitro and ArvinMeritor in Mexico and AGC in the United Kingdom. At the same time, by leveraging on internationalized investment network strategy, the Group had established close strategic partnerships with a group of customers through joint ventures and technical cooperation.

During the year, the Group's global strategy had achieved major breakthroughs. It upgraded its offices in North America and Japan as its wholly-owned subsidiaries successively and had established new offices in Australia. At the same time, by investing jointly with its strategic partners Sojitz Corporation, the Group established Plastic Trim International Inc., and acquired all the assets, assumed liabilities and businesses which originally belonged to Plastic Trim, LLC. The setting up of the joint venture signifies an important milestone in the global business development of the Group and will facilitate in enhancing the international business strengths of the Company.

In addition to the newly established overseas companies mentioned above, during the year 2007, through internal resources, the Group had set up five new subsidiaries, namely 嘉興興禾汽車零部件有限公司 ("嘉興興禾"), 嘉興泰禾汽車零部件有限公司 ("嘉興泰禾"), 嘉興振禾汽車零部件有限公司 ("嘉興振禾"), 嘉興敏實機械有限公司 ("嘉興敏實"), and 長春敏實汽車零部件有限公司 ("長春敏實"). 嘉興敏橋汽車零部件有限公司 ("嘉興敏橋"), 嘉興信元精密模具科技有限公司 ("嘉興信元"), and 寧波信虹精密機械有限公司 ("寧波信虹"), previously jointly controlled entities of the Company, became the Company's subsidiaries by virtue of the Company's acquisition of partial equity interests from its jointly venture partners in view of management efficiency. For the like concern, the Company acquired wholly control over 嘉興敏榮汽車零部件有限公司 ("嘉興敏榮") and 嘉興敏勝汽車零部件有限公司 (''嘉興敏勝''), and subsequently arranged the merger of 嘉興敏榮 by 嘉興敏惠. Further, to facilitate the strategies of resources integration, just-in-time (JIT) delivery and production capacity optimization, the Group, through 嘉興興禾 and 天津信泰汽車零部件有限公司 ("天津信泰") established branches in Nanjing and Yantai respectively.

In January 2008, the Company also entered into a joint venture agreement with Aapico Hitech Public Company Limited, a major supplier of automobile parts in Thailand in view of establishing a joint venture company in Thailand. The Company had also entered into a joint venture agreement with DURA Automotive Handels und Beteiligungs GmbH (''DURA''), a renowned global automobile parts supplier in February 2008, subject to which the Group will transfer majority of the equity interest in 嘉興泰禾 to DURA.

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

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 competence of the Group in sustaining leadership in future.

For the financial year ended 31 December 2007, the Group continued to put great efforts in enhancing the comprehensive R&D capabilities, and increasing its investment in resources in technology development. The R&D expenditures increased by approximately 54.8% as compared to 2006. In 2007, for the first time, the Group had succeeded in the concurrent design of door frame. It's also the first time for the Group to participate in the concurrent design projects with Nissan Shatai and Dongfeng Nissan in collaboration with Japanese design companies. The Group had entered into 9 new technological co-operative contracts with its Japanese partners. The primary target of the R&D works is to continue in professionalizing the technique and expanding the production in plastic injection mould, stamping dies and surface treatment processes. During the year, the Group had basically completed the re-structuring of our internal resources and workflow system. Apart from the core products, the R&D of new products in other categories is progressing well.

For the financial year 2007, the Group submitted 37 patent applications in the PRC which were accepted by China Patent Bureau for examination and approval. Meanwhile, 46 patents were approved and granted during the year.

Results

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

In 2007, consolidated turnover of the Group was approximately RMB1,408,747,000, representing an increase of approximately 47.3% compared to approximately RMB956,232,000 in 2006. 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 approximately RMB359,865,000, representing an increase of approximately 33.9% compared to approximately RMB268,701,000 in 2006. 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.

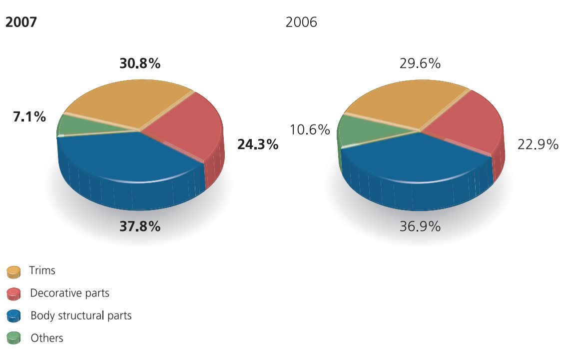
Product Sales

In 2007, 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:

	2007		2006	
Product category	**RMB'000**	**%**	RMB'000	%
Trims	**434,273**	**30.8**	283,346	29.6
Decorative parts	**342,897**	**24.3**	219,190	22.9
Body structural parts	**532,685**	**37.8**	353,194	36.9
Others *(Note)*	**98,892**	**7.1**	100,502	10.6
Total	**1,408,747**	**100**	956,232	100

Note: Includes moulds, headliner, PVC and others.

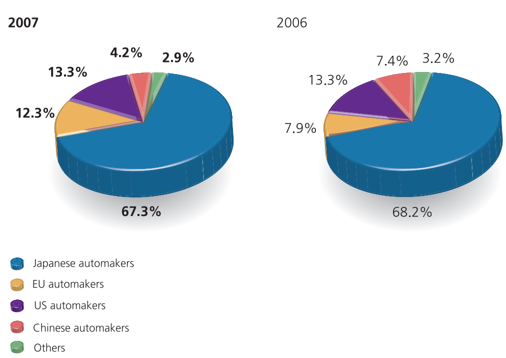


The Group has continued to expand the production of its core product categories. In 2007, the three core product categories achieved a turnover of approximately RMB1,309,855,000, in which the turnover of trims, decorative parts, and body structural parts of passenger cars were approximately RMB434,273,000, approximately RMB342,897,000, and approximately RMB532,685,000 respectively, or a proportion of approximately 30.8%, approximately 24.3% and approximately 37.8% of the Group's total turnover respectively. The proportion of core product categories to the total turnover was approximately 92.9%, representing an increase of approximately 3.5% from approximately 89.4% in 2006.

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

	2007		2006	
Customer category	**RMB'000**	**%**	RMB'000	%
Japanese automakers	**949,822**	**67.3**	653,056	68.2
EU automakers	**172,980**	**12.3**	75,751	7.9
US automakers	**187,576**	**13.3**	127,730	13.3
Chinese automakers	**58,955**	**4.2**	70,687	7.4
Others *(Note)*	**41,450**	**2.9**	29,758	3.2
Total	**1,410,783**	**100**	956,982	100
Less: Sales tax	**(2,036)**		(750)	
Total turnover	**1,408,747**		956,232	

Note: Others denote clients using non-direct automobile spare part products of the Group.



Overseas Market Sales

During the year under review, the Group's turnover from overseas markets was approximately RMB205,723,000, representing an increase of approximately 66% as compared to 2006, with the proportion in the Group's total turnover increasing to approximately 15% in 2007 from approximately 13% in 2006.

Gross Profit

The gross profit for the financial year ended 31 December 2007 amounted to approximately RMB550,402,000, representing an increase of approximately 46.2% as compared to approximately RMB376,397,000 in 2006. The gross margin in 2007 was approximately 39.1%, which remained at similar level as compared to approximately 39.4% in 2006. With the progressive overall cost downward pressure in the automobile market, as well as the fluctuation of raw material price and increase of labour cost, profit margin of automotive parts is being tightened further. However, the gross profit margin of the Group remained fairly high because the negative effects of falling prices were offset by sourcing local raw materials, joint procurement, continuous improvement activities and at the same time, launching new products to increase its value.

Other Income

Other income amounted to approximately RMB61,961,000 in 2007, increased by approximately 175.8% from approximately RMB22,464,000 in 2006. The increase was mainly a result of the increase of technology transfer proceeds arising from the value-added services that the Group provided for its customers and the increase of government subsidies granted.

Distribution and Selling Expenses

Distribution and selling expenses amounted to approximately RMB43,055,000 in 2007, an increase of approximately 35.5% from approximately RMB31,777,000 in 2006, but still lower than the growth in turnover. This was attributable to the effective control of distribution and selling expenses, based on which the Group further expanded its overseas sales and logistics network.

Administrative Expenses

Administrative expenses amounted to approximately RMB123,475,000 in 2007, an increase of approximately RMB37,214,000 from approximately RMB86,261,000 in 2006, which was mainly due to the increase in the amount of welfare and benefits resulting from the rapid growth of the Group as well as the adoption of a share option scheme (the "Share Option Scheme") by the Group with a view to reward those who had contributed to the Group, the expense of which had been recognised amounting to approximately RMB13,264,000 in 2007.

Other Expenses

Other expenses of the Group in 2007 amounted to approximately RMB49,921,000, mainly due to the investment in R&D in order to maintain its core competence and sustainable development.

Interest on Bank Borrowings

The Group's interest on bank borrowings for 2007 was approximately RMB6,936,000, an increase of approximately RMB4,109,000 from approximately RMB2,827,000 in 2006. This was attributed to the increase of bank loans in US dollars the Group borrowed to pay its overseas suppliers considering the trend of RMB appreciation.

Taxation

The Group's taxation increased from approximately RMB14,483,000 in 2006 to approximately RMB28,196,000 in 2007, representing an increase of approximately RMB13,713,000.

The effective tax rate increased from approximately 5.0% for 2006 to approximately 7.2% for 2007, which was due to the taxation increase of two subsidiaries who are now eligible for reduction by half of corporate income tax instead of tax exemption as in 2006.

Profit Attributable to the Shareholders of the Company

Profit attributable to the shareholders for 2007 was approximately RMB359,865,000 an increase of approximately 33.9% as compared to approximately RMB268,701,000 in 2006. The net profit margin in 2007 was approximately 25.5%, a decrease of approximately 2.6% from approximately 28.1% in 2006, which was primarily the result of foreign exchange losses of approximately RMB57,376,000 due to RMB appreciation against US Dollars and HK Dollars mainly after placement. The losses mentioned above contributed to a decrease of approximately 4.1% in the Group's net profit margin in 2007. For the details of the placement, please refer to the Company's announcement dated 5 July 2007.

Minority Interests

The Group's minority interests for 2007 amounted to approximately RMB5,950,000, a decrease of approximately RMB455,000 from approximately RMB6,405,000 in 2006. The principal reason was that the Group acquired the remaining equity interests from its minority shareholders of 嘉興敏榮 and 嘉興敏勝.

Working Capital and Financial Information

Cash and bank balances increased from approximately RMB232,071,000 for the financial year ended 31 December 2006 to approximately RMB933,082,000 for the financial year ended 31 December 2007 mainly because of the fund-raising from the placement in July 2007.

Current ratio increased from 2.6 in 2006 to 5.6 in 2007. The Company's gearing ratio as at 31 December 2007 was approximately 3.4% (2006: approximately 2.6%), which is a percentage based on the interest-bearing loans and borrowings divided by total assets.

Inventories turnover days reduced to 68 days in 2007 from 86 days in 2006, mainly due to the Group's strengthened inventory management and the adoption of lean production in controlling inventory balance.

Receivables turnover days were 65 days in 2007, which remained at the same level as 64 days in 2006.

The payables turnover days with our current suppliers reduced to 52 days in 2007 from 62 days in 2006, which was attributable to the Group's sufficient cash position. With this advantage, the Group managed to attain a lower sourcing cost.

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

Commitments

As at 31 December 2007, the Group has the following commitments:

	RMB'000
Operating lease	5,572
Capital commitments	33,435

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 which had not been provided in the financial statements as capital expenditure and also refer to agreed investments in associates.

Interest Rate and Foreign Exchange Risks

As at 31 December 2007, the Group's bank loan balance was approximately RMB117,099,000 with approximately RMB6,812,000 at fixed interest rate and approximately RMB110,287,000 at floating interest rate. The aforesaid borrowings had no seasonality and would mature within one year.

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

All cash and cash equivalents of the Group are denominated in Renminbi, Hong Kong dollars, United States dollars, Euro and Japanese yen. Remittance of funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

Currently, the Company and certain subsidiaries have bank balances and structured deposits denominated in foreign currencies, please refer to note 27 and 26 in the financial statements. In order to minimize future currency risk, the management of the Group has delegated a team responsible for the planning of the related work so as to alleviate the impact to business due to exchange rate fluctuations.

Contingent Liabilities

The Group had no contingent liabilities as at 31 December 2007.

Capital Expenditure

During the year 2007, the Group's investment in property, plant and equipment, construction in progress and land use rights amounted to approximately RMB326,035,000. These capital expenditures were attributable to the advancement of its overseas network, R&D capabilities, as well as production capacity expansion.

Employee

As at 31 December 2007, the Group had 3,806 employees, an increase of 1,199 from 2006. The total employee costs in 2007 accounted for approximately 11.4% of the Group's total turnover, an increase of approximately 0.7% from approximately 10.7% in 2006.

After deduction of the stock option expenses, the employee costs out of the Group's total turnover was approximately 10.5% in 2007, which remained at a similar level as in 2006.

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

During the year, labour contract is regulated under the new law promulgated in the PRC and the Group has adjusted and optimized proactively in accordance with its requirements. As the Group has already emphasized occupational health and safety for employees, those policy changes do not give rise to any material adverse effect to the Group.

Share Option Scheme

The Company had adopted a conditional share option scheme pursuant to which share options will be granted to eligible persons as rewards or incentives who has contributed or will contribute to the Group. For details, please refer to Note 35.

Purchase, Sale or Redemption

The Company issued 124,500,000 shares through placing of existing shares and subscription for new shares, with net proceeds of the placing amounted to approximately HK$1,520,455,000.

The Placing and the Subscription are being undertaken to supplement the Group's funding to increase production capacity and sales of the Group in China and abroad.

The estimated net proceeds of the Placing will be used to increase production capacity and sales of the Group in China and abroad, whether by way of existing or newly established research and development centres and/or production facilities. The Group may also achieve this objective by mergers and acquisitions both in China and abroad.

Except for the above disclosure, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of its listed securities during the year under review.

Future Development

Market

The China passenger vehicle industry experienced rapid growth in 2007. The Chinese automotive market has become the third largest market in the world, and is progressing steadily towards the second. The Chinese automobile market is expected to achieve a 2-digit growth in 2008. Accordingly, the auto-parts industry of China is becoming increasingly mature. With the development of the Chinese automotive market, the global auto giants will undoubtedly speed up their pace to source quality automobile parts from China.

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, facilitate industry integration and export expansion which fit well with the developing strategy of the Group and will not have any material adverse effect to the Group. With regard to the energy saving and emission reduction requirements in automobile development, the vision is in line with its objectives in R&D and innovation.

Outlook

The Group is confident that, benefiting from the booming Chinese passenger vehicle market, it will further increase its market share in China, extend its product line, advance its production network and global sales network in overseas low cost countries, with the aim to become a new global industry leader.

Directors and Senior Management

Directors

Executive Directors

Chin Jong Hwa (秦榮華), aged 50, 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 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 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 interested in 44.06% shareholding interest in the Company through Linkfair Investments Limited, a company wholly owned by Mr. Chin. Save as aforesaid, Mr. Chin has no interests in the shares of the Company within the meaning of part XV of the SFO.

Shi Jian Hui (石建輝), aged 36, Chief Executive Officer (CEO) and an executive Director of the Company. Mr. Shi graduated from Zhejiang University of Technology where he majored in the machinery design and manufacturing and obtained the EMBA degree from Cheung Kong Graduate School of Business in 2007. He has 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. Mr. Shi joined the Group in March 1997 and was appointed as a Director on 14 July 2005. Save for his interest in 500,000 share options in the Company, Mr. Shi has no interests in the shares of the Company within the meaning of part XV of the SFO.

Mu Wei Zhong (穆偉忠), aged 43, Vice President and an executive Director of the Company. Mr. Mu has 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 Wuhan University of Water Transportation Engineering with a degree in vessel design and manufacture. He obtained the EMBA degree from School of Management, Fudan University in 2007. Mr. Mu joined the Group in March 1997 and was appointed as a Director on 14 July 2005. Save for his interest in 500,000 share options in the Company, Mr. Mu has no interests in the shares of the Company within the meaning of part XV of the SFO.

Zhao Feng (趙鋒), aged 39, Vice President and an executive Director of the Company with overall responsibility for the Group's sales. Mr. Zhao has experience of over 10 years in business management. Prior to joining the Group in 1999, Mr. Zhao was a technical 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. Mr. Zhao is interested in 500,000 share options in the Company. In addition, Ms. Zhu Chun Ya is interested in 500,000 share options in the Company. Since Mr. Zhao Feng is the Spouse of Ms. Zhu, he is deemed to be interested in 500,000 share options in which Ms. Zhu Chun Ya is interested in. Save as aforesaid, Mr. Zhao has no interests in the shares to the Company within the meaning of Part XV of the SFO.

Non-executive Directors

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 of Hong Kong Limited (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 at the time. He joined the Group as a Director on 15 July 2005.

Mikio Natsume (夏目美喜雄), aged 67, has more than 45 years working experience in auto-parts manufacturing industry in Japan. Before joining the Company, he had worked in Aisin Seiki Co., Ltd (which was named as Shinkawa Kogyo Co., Ltd before) since 1963, where he served as the manager of international planning department, director, executive director, and vice-chairman of the board successively. Mr. Natsume received his bachelor's degree in Economics in Kanagawa University. Mr. Natsume was a director of Aisin Seiki Co., Ltd and Exedy Corporation, both being companies listed on the Tokyo Stock Exchange. Mr. Natsume was appointed as a Director on 1 January 2008.

Tokio Kurita (栗田關雄), aged 67, has more than 43 years working experience in auto-parts manufacturing industry in Japan. He graduated from the Keio University where he received his bachelor's degree in engineering. Mr. Kurita is currently assuming responsibility as an advisor of Gifu Auto Body Industry Co., Ltd ("Gifu"). Prior to that he served as a vice-chief executive officer and chief executive officer successively in Gifu. Mr. Kurita worked for more than 30 years in Toyota Motor Corporation before he joined Gifu. Mr. Kurita was appointed as a Director on 1 January 2008.

Yu Zheng (鄭豫), aged 40, has more than 12 years working experience in management consulting in Asia with Boston Consulting Group and Roland Berger Strategy Consultants and has extensive experience in various fields such as strategy development, brand management, organizational restructuring, global sourcing, joint venture strategy, and project management for both global and Chinese clients. Her industry experience includes automotive, industrial goods, consumer electronics, publishing, etc. Ms. Zheng received her bachelor's degree in Computer Science in Beijing Normal University and Master of Business Administration in the University of Texas at Austin. Ms. Zeng was appointed as a Director on 1 January 2008.

Independent Non-executive Directors

Heng Kwoo Seng (邢詒春), aged 60, an independent non-executive Director of the Company since 26 October 2005. 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 a 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.

Wang Ching (王京), aged 52, an independent non-executive Director of the Company since 26 October 2005. Dr. 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 in banking and security industry. Dr. Wang is currently an Associate Professor and Managing Director of Venture Capital and SME Center, Global Management Education Institute, Shanghai University.

Zhang Liren (張立人), aged 61, an independent non-executive Director of the Company since 26 October 2005. He has 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.

Senior Management

Loke Yu (陸海林), aged 57, was appointed as Company Secretary of the Company in June 2007. He has over 30 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master's Degree from University of South Australia. Dr. Loke is a fellow of The Institute of Chartered Accountants in England and Wales; Hong Kong Institute of Certified Public Accountants; and The Hong Kong Institute of Directors. He is also an Associate member of The Insitute of Chartered Secretaries and Administrators and a member of Malaysian Institute of Accountants.

Bao Jian Ya (包建亞), aged 36, CFO of the Company. Ms. Bao graduated from Shanghai University of Finance & Economics in 1993 where she majored in international accounting. She has experience of over 14 years in accounting and financial management. Prior to joining the Group in March 2005 and assumed the responsibility of financial controller of the Company, she was the financial controller of another Chinese manufacturer. She was nominated as CFO of the Group on 22 December 2006. Save for her interest in 500,000 share options in the Company, Ms. Bao has no interests in the share of the Company within the meaning of part XV of the SFO.

Soo Cheng-Yu (蘇正宇), aged 56, General Manager of Guangzhou Minhui Automobile Parts Co., Ltd., the Group's subsidiary in Guangzhou, China. He has experience of over 30 years in purchasing, 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. Save for his interest in 500,000 share options in the Company, Mr. Soo has no interests in the share of the Company within the meaning of part XV of the SFO.

Yu Yue Ping (俞岳平), aged 49, Head 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 chief engineer of another Chinese manufacturer. Save for his interest in 500,000 share options in the Company, Mr. Yu has no interests in the share of the Company within the meaning of part XV of the SFO.

Hsieh Cheng-Hsien (謝政憲), aged 41, General Manager of the Group's quality centre. Mr. Hsieh joined the Group in May 2004. Prior to joining the Group, and assumed the responsibility of general manager of the Group's technical Centre, 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. Save for his interest in 500,000 share options in the Company, Mr. Hsieh has no interests in the share of the Company within the meaning of part XV of the SFO.

Zhu Chun Ya (朱春亞), aged 37, general manager of the human resources centre of the Group. Ms. Zhu graduated from Jiangnan University where she majored in package engineering. Prior to joining the Group in 1999, she was a teacher at the mechanical engineering department in Ningbo University. Since joining the Group, Ms. Zhu has worked as manager of purchasing department and assistant to general manager. Ms. Zhu has over 7 years of human resources management experience. Ms. Zhu Chun Ya is interested in 500,000 share options in the Company. In addition, Mr. Zhao Feng is interested in 500,000 share options in the Company. Since Ms. Zhu Chun Ya is the spouse of Mr. Zhao Feng, she is deemed to be interested in 500,000 share options in which Mr. Zhao Feng is interested in. Save as aforesaid, Ms. Zhu has no interests in the shares of the Company within the meaning of Part XV of the SFO.

Liu Yan Chun (劉艷春), aged 43, general manager of the Group's planning center, is primarily responsible for information system, lean production and management system set-ups of the Group. Mr. Liu graduated from Harbin Institute of Technology in 1989 with a major of industry management engineering. Mr. Liu has been engaged in production management since his graduation. Since joining the Group, Mr. Liu has worked successively as person in charge of quality system of QS 9000 and TS 16949 and factory manager. Save for his interest in 500,000 share options in the Company, Mr. Liu has no interests in the share of the Company within the meaning of part XV of the SFO.

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 control practices. Set out below are the principles of corporate governance as adopted by the Company during the financial year under review.

Distinctive roles of Chairman, chief executive officer ("CEO") and Senior Management

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 operations of the Group's businesses, proposing strategies to the Board and the effective implementation of the strategies and policies adopted by the Board.

The senior management is delegated to assist the executive Directors with the implementation of business operations and reports to the CEO.

The Board

As of 31 December 2007, there are eight members on the Board, which are the Chairman, the CEO, two 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 ten times during the year and the Directors' attendance is shown in the table on page 21. Non-executive Directors and independent non-executive Directors are allowed to seek advice from independent professional consultants while performing their responsibilities and the costs are to be borne by the Company.

Mr. Chin Jong Hwa, Mr. Shi Jian Hui, Mr. Mu Wei Zhong, Mr. Shaw Sun Kan, Gordon, Mr. Mikio Natsume, Mr. Tokio Kurita and Ms. Yu Zheng will retire and all except Mr. Shaw Sun Kan, Gordon shall offer themselves for re-election in the forthcoming annual general meeting ("Annual General Meeting") of the Company.

Each of the member of the Board does not have any significant financial, business and family relationship among one another.

The Company appointed the non-executive Director by the Board's appointment during the year. The term of appointment was for two years 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 Rules Governing the

Listing of Securities on the Stock Exchange (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 2 meetings during the year and the relevant Directors' attendance is shown in the table on page 21.

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 auditor, and approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(iii) to review and monitor the external auditor's 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 2007 prior to recommending the financial statements to the Board for approval. The Board was informed that the Audit Committee had conducted review of the effectiveness of the system of internal control of the Group.

Remuneration committee

The Company established a remuneration committee in November 2005. 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;

(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 the 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 12 to the accounts and details of the 2005 Share Option Scheme are set out in the Directors' Report and note 35 to the accounts.

On 1 April 2008, the Company accepted that Shaw Sun Kan, Gordon's resignation as the Chairman of the Remuneration Committee in light of his intention not to offer for re-election at the Annual General Meeting. Ms. Yu Zheng was elected as the new Chairman.

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 members 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	10	2	3
Executive Directors			
Chin, Jong Hwa *(Chairman)*	8		
Shi, Jian Hui *(CEO)*	10		
Mu, Wei Zhong	10		
Chin, Jung Huang (ceased to be the Company's Director as from 27 July 2007)	8		
Zhao, Feng	9		
Non-executive Director			
Shaw Sun Kan, Gordon	8		
Independent Non-executive Directors			
Heng Kwoo Seng	10	2	3
Wang Ching	10	2	3
Zhang Liren	10	2	3

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 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 independent.

Compliance with the code on corporate governance practices and compliance with model code

Save as disclosed in this annual report, the Company has complied with the Code on Corporate Governance Practice as set out in Appendix 14 to the Listing Rules during the year under review.

The Company had adopted the Model Code 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 of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Code.

Auditor's 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 Company is required to pay an aggregate of approximately HK$2,600,000 to the external auditor for its audit services.

Directors' and auditor's responsibilities for accounts

The Directors' responsibilities for the accounts and the responsibilities of the external auditor to the shareholders are set out on page 37 and page 38

Directors' Report

The Board is pleased to present the annual report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2007.

Principal activities

The Company acts as an investment holding company while its subsidiaries are engaged in design, 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 2007 are set out in the consolidated income statement on page 39.

Dividends

The Board recommends the payment of a final dividend of HK$0.121 per share for the year ended 31 December 2007 to the shareholders on the register of members on 9 May 2008, amounting to approximately HK$115,499,000.

Property, plant and equipment

During the year, the Group incurred approximately RMB262,660,000 for the acquisition of property, plant and equipment. Details of these and other movements in property, plant and equipment of the Group are set out in note 15 to the financial statements.

Share capital and reserves

The Company issued 124,500,000 shares through placing of existing shares and subscription for new shares in 2007, with net proceeds of the placing approximately HK$1,520,455,000.

The Placing and the Subscription are being undertaken to supplement the Group's funding to increase production capacity and sales of the Group in China and abroad.

The estimated net proceeds of the Placing will be used to increase production capacity and sales of the Group in China and abroad, whether by way of existing or newly established research and development centres and/or production facilities. The Group may also achieve this objective by mergers and acquisitions both in China and abroad.

Except for the above disclosure, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of its listed securities during the year 2007.

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 RMB2,750 million as at 31 December 2007. 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 debentures.

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 4. The results do not constitute a part of the audited financial statements.

Major suppliers and customers

For the year ended 31 December 2007, the largest customer accounted for approximately 16.0% of the Group's revenue, and the five largest customers accounted for approximately 52.5% of the Group's revenue.

The purchases for the year ended 31 December 2007 attributable to the Group's largest supplier and five largest suppliers were approximately 6.3% and 23.1% 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 2007.

Directors

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

Executive Directors:

Chin Jong Hwa	
Shi Jian Hui	
Mu Wei Zhong	
Chin Jung Huang	(ceased to be a director as from 27 July 2007)
Zhao Feng	

Non-executive Directors:

Shaw Sun Kan Gordon	
Mikio Natsume	(appointed on 31 December 2007)
Tokio Kurita	(appointed on 31 December 2007)
Yu Zheng	(appointed on 31 December 2007)

Independent Non-executive Directors:

Heng Kwoo Seng
Wang Ching
Zhang Liren

In accordance with Article 86 of the Company's Articles of Association, Mikio Natsume, Tokio Kurita and Yu Zheng 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, Shaw Sun Kan Gordon, Chin Jong Hwa, Shi Jian Hui and Mu Wei Zhong will retire from office and, Chin Jong Hwa, Shi Jian Hui and Mu Wei Zhong being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Directors' service contracts

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 non-executive directors was nominated on 26 October 2005 for a fixed term of one year and was renominated on 1 December 2007.

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 Listing Rules. 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 15 to 18.

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 2007, the interests and short positions of the Directors and the chief executives of the Company 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 1)	485,004,000	50.81%
Shi Jian Hui	Company	Long position	Beneficial owner	500,000 (Note 2)	0.05%
Mu Wei Zhong	Company	Long position	Beneficial owner	500,000 (Note 2)	0.05%
Zhao Feng	Company	Long position	Beneficial owner and interest of spouse *(Note 3)*	1,000,000 (Note 2 & 3)	0.10%

Note 1: Linkfair is beneficially interested in 420,000,000 Shares. Linkfair is wholly-owned by Chin Jong Hwa and he is therefore deemed to be interested in the entire 420,000,000 Shares held by Linkfair. Linkfair, Tiger Global, Ltd., Tiger Global, L.P., Tiger Global II, L.P., Tigerstep Developments Limited and Acemind Industrial Limited are parties to separate agreements under s.317 of the SFO and hence are deemed to be interested in the Shares held by one another.

Tiger Global, Ltd. is beneficially interested in 19,707,933 Shares. Tiger Global, L.P. is beneficially interested in 34,432,504 Shares. Tiger Global II, L.P. is beneficially interested in 863,563 Shares. Tigerstep Developments Limited is beneficially interested in 10,000,000 Shares. Acemind Industrial Limited is not beneficially interested in any Shares.

Note 2: The total number of Shares over which options granted under the Share Option Scheme are exercisable.

Note 3: Upon exercise of the options under the Share Option Scheme, Mr. Zhao Feng and his spouse, Ms. Zhu Chun Ya, were both granted the options to acquire 500,000 Shares respectively. Since Mr. Zhao Feng is the spouse of Ms. Zhu Chun Ya, he is deemed to be interested in 500,000 Shares in which Ms. Zhu Chun Ya is interested in.

Other than as disclosed above, as at 31 December 2007, 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 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.

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 HK$1 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.

As at the date of 31 December 2007, the total number of options the Company granted to the employees and some of the Directors and their connected persons amounted to 20,800,000 share options ("2007 Scheme"), with details as follows:

	Number of Shares (Note)						
Name and status of participants	**As of 1 January 2007**	**Granted during the Period**	**Lapsed during the Period**	**As of 31 December 2007**	**Date of Grant**	**Exercising Period****	**Subscription Price (HKD)*****
Directors, chief executives, and substantial shareholders and their respective connected persons							
Mr. Shi Jian Hui		250,000	—	250,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	—	250,000	—	250,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
Mr. Mu Wei Zhong		250,000	—	250,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	—	250,000	—	250,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
Mr. Zhao Feng		250,000	—	250,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	—	250,000	—	250,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
Ms. Zhu Chun Ya*		250,000	—	250,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	—	250,000	—	250,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
Subtotal	—	2,000,000	—	2,000,000			
Other Participants		9,400,000	—	9,400,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	—	9,400,000	—	9,400,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
Subtotal	—	18,800,000	—	18,800,000			
Total for 2007 Scheme	—	20,800,000	—	20,800,000			

Note: Numbers of shares in the Company over which options granted under the Share Option Scheme are exercisable.

* Spouse of Mr. Zhao Feng, and general manager of the Group's human resources centre.

** The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

*** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes.

As at the date of this report since adoption, 40,000 options which was granted to the grantees other than the Directors have been exercised.

Apart from the Share Option Scheme as disclosed above, no option was granted, exercised, cancelled or lapsed during as at the date of this report since adoption.

Particulars of the Company's share option scheme are set out in note 35 to the consolidated financial statements.

Directors' rights in purchasing Shares or debenture

At no time during the year was the Company, its holding company or its subsidiaries a party to any arrangements which enabled the Directors to acquire benefits by means of acquisition of Shares in or debenture of the Company or any other body corporate.

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 during the year.

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.

Substantial shareholders

(a) Interests or short positions in the Company

As at 31 December 2007, the interests or short positions of substantial shareholders, other than the Directors or the 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
Acemind Industrial Limited	a party to an agreement under s.317 of the SFO	Long position	485,004,000	50.81%
Wei Ching Lien	Interest of spouse	Long position	420,000,000 (Note 1)	44.00%
Linkfair	Beneficial owner	Long position	485,004,000 (Note 2)	50.81%
Charles P. Coleman III	Interest of controlled corporations	Long position	475,004,000 (Note 3)	49.76%
Tiger Global Management, L.L.C.	Interest of controlled corporations	Long position	475,004,000 (Note 3)	49.76%
Tiger Global Performance, L.L.C.	Interest of controlled corporations	Long position	471,981,067 (Note 3)	49.45%
Tiger Global, Ltd	Beneficial owner and a party to an agreement under s.317 of the SFO	Long position	473,022,933 (Note 3)	49.56%
Tiger Global, L.P.	Beneficial owner and a party to an agreement under s.317 of the SFO	Long position	471,912,504 (Note 3)	49.44%
Tiger Global II, L.P.	Beneficial owner and a party to an agreement under s.317 of the SFO	Long position	470,068,563 (Note 3)	49.25%
Commonwealth Bank of Australia	Interest of controlled corporations	Long position	67,190,000 (Note 4)	7.04%

Note 1: Since Wei Ching Lien is the spouse of Chin Jong Hwa, she was deemed to be interested in 420,000,000 Shares in which Chin Jong Hwa was deemed to be interested.

Linkfair Investment Limited ("Linkfair"), Tiger Global, Ltd., Tiger Global, L.P., Tiger Global II, L.P., Tigerstep Developments Limited and Acemind Industrial Limited were parties to separate agreements under s.317 of the SFO and hence were deemed to be interested in the Shares held by each other.

Linkfair was beneficially interested in 420,000,000 Shares. Tiger Global, Ltd was beneficially interested in 19,707,933 Shares. Tiger Global, L.P. was beneficially interested in 34,432,504 Shares. Tiger Global II, L.P. was beneficially interested in 863,563 Shares. Tigerstep Developments Limited was beneficially interested in 10,000,000 Shares. Acemind Industrial Limited was not beneficially interested in each other's Shares

Note 2: Linkfair, a company wholly-owned by Mr. Chin Jong Hwa, was beneficially interested in 420,000,000 Shares. Linkfair, Tiger Global, Ltd., Tiger Global, L.P., Tiger Global II, L.P., Tigerstep Developments Limited and Acemind Industrial Limited were parties to separate agreements under s.317 of the SFO and hence were deemed to be interested in the Shares held by each other.

Note 3: Tiger Global, Ltd., Tiger Global, L.P., Tiger Global II, L.P. and Linkfair Investments Limited were parties to separate agreements under s.317 of the SFO and hence were deemed to be interested in each other's Shares.

Linkfair was beneficially interested in 420,000,000 shares. Tigerstep Developments Limited was beneficially interested in 10,000,000 Shares. Acemind Industrial Limited is not beneficially interested in any shares.

Tiger Global, Ltd. was beneficially interested in 19,707,933 Shares. Tiger Global, L.P. was beneficially interested in 34,432,504 Shares. Tiger Global II, L.P. was beneficially interested in 863,563 Shares. Tiger Global Management, L.L.C. is the investment manager of and is deemed to be interested in the Shares held by Tiger Global, Ltd., Tiger Global, L.P. and Tiger Global II, L.P.. Tiger Global Performance, L.L.C. is the general partner of and is deemed to be interested in the Shares held by Tiger Global, L.P. and Tiger Global II, L.P.. Charles P. Coleman III is the managing member of Tiger Global Management, L.L.C. and Tiger Global Performance, L.L.C. and is deemed to be interested in the Shares held by Tiger Global Management, L.L.C. and Tiger Global Performance, L.L.C., and in turn, in the Shares held by Tiger Global, Ltd., Tiger Global, L.P. and Tiger Global II, L.P..

Note 4: According to the information disclosed to the Company under Division 2 and 3 of Part XV of the SFO, these shares were held by corporations controlled directly or indirectly as to 100% by Commonwealth Bank of Australia.

(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 Shintai Automobile Parts Co., Ltd	Aisin Tianjin Body Parts Co.,Ltd
嘉興敏橋	FALTEC Co., Ltd.
Changchun Minth Automotive Parts Co., Ltd.	Changchun Kedi Equipment Technology Co., Ltd

Other than as disclosed above, as at 31 December 2007, 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

The Company issued 124,500,000 shares through placing of existing shares and subscription for new shares in 2007, with net proceeds of the placing approximately HK$1,520,455,000.

The Placing and the Subscription are being undertaken to supplement the Group's funding to increase production capacity and sales of the Group in China and abroad.

The estimated net proceeds of the Placing will be used to increase production capacity and sales of the Group in China and abroad, whether by way of existing or newly established research and development centres and/or production facilities. The Group may also achieve this objective by mergers and acquisitions both in China and abroad.

Except for the above disclosure, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of its listed securities during the year 2007.

Connected transactions

During the year under review, the following continuing connected transactions have been entered into by the Group. Save as disclosed herein, these transactions complied with the requirements in relation to reporting, announcement and/or independent shareholders' approval:

(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 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 (on behalf of and for itself and/or its subsidiaries) 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 the relevant 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 purchases from, and sales to, Aisin Group under the Sale and Purchase Agreement for the twelve months ended 31 December 2007 was approximately RMB35,448,000 and approximately RMB27,228,000 respectively, which did not exceed the maximum of RMB110,000,000 and RMB29,000,000 as approved by the independent shareholders.

(b) 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 the Company, 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 US$393,385 (equivalent to approximately HK$3.07 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 US$393,384.25, 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 the Company), Sankei Giken Holding is a connected person of the Company.

The Group will make a payment in 2008 of approximately US$393,385 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 2007.

(c) Technology services provided by Sankei Giken Kogyo Co., Ltd. ("Sankei Giken") to the Group

Guangzhou Minhui, an indirect non-wholly owned subsidiary of the Company, 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 Co., Ltd. ("**Ningbo Shintai**"), Jiaxing Minhui Automotive Parts Co., Ltd. ("**Jiaxing Minhui**") and Wuhan Minhui Automotive Parts Co., Ltd., ("Wuhan Minhui") all indirect wholly-owned subsidiaries of the Company, entered into six technology services agreements with Sankei Giken on 1 March 2004, 25 May 2005, 28 February 2006, 18 April 2006 and 17 July 2007 respectively (collectively, the "**Technology Services Agreements**").

Pursuant to the Technology Services Agreements, Sankei Giken agreed to provide technology, technology support and know-how for certain types of auto-parts to Guangzhou Minhui, Ningbo Shintai, Jiaxing Minhui and Wuhan 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, Wuhan Minhui 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. The term for the Technical Services Agreements are for five years or six years commencing from the date when registration procedures with the relevant Chinese governmental authorities are completed.

During the year under review, the aggregate consideration for the above-mentioned transactions between the Group and Sankei Giken amounted to approximately RMB6,001,000, it did not exceed the annual cap of RMB8,800,000 for the year ended 31 December 2007.

The relevant annual caps expired on 31 December 2007 and the Board regrets that, as a result of an administrative oversight, it had not made an announcement prior to expiry of the annual caps for the Technology Services Agreements. Further details of such non-compliance with the Listing Rules will be announced separately.

(d) Technology services provided by FALTEC Co., Ltd. (together with the former Altia Hashimoto, "FALTEC Group") to the Group

Pursuant to a share transfer agreement between Altia Hashimoto Co., Ltd. ("Altia Hashimoto") and Minth Investment Limited ("Minth Investment") dated 28 September 2007, Altia Hashimoto transferred its 15% interest in 嘉興敏橋 to Minth Investment. As a result of such agreement, 嘉興敏橋 became an indirect non-wholly owned subsidiary of the Company. As Altia Hashimoto holds the remaining 35% interest in 嘉興敏橋, it became a connected person of the Company by virtue of its substantial shareholding in 嘉興敏橋. Pursuant to the share transfer agreement, the effective date for apportioning economic benefits and risks was 31 August 2007. Consequently, 嘉興敏橋 was consolidated as a subsidiary of the Group from 31 August 2007 and transactions thereafter between the FALTEC Group and the Group are connected transactions under the Listing Rules. FALTEC Group are mainly involved in the business of automobile part and accessory production and development. The Group has been entering into technology services agreements ("specific product agreements") since 2003 and a frame work technology services agreement on 28 September 2007 ("Frame work Agreement") with Altia Hashimoto until such company being acquired by the FALTEC Group in October 2007. Upon such acquisition, all pre-existing contracts between Altia Hashimoto and the Group have been assumed by the FALTEC Group. The amounts payable under the FALTEC Technology Services Agreements involve a fixed fee for each agreement to be paid by instalments plus a component which is dependent upon the sales of the certain specific automobile parts only by the Group.

As for the FALTEC Master Framework Agreement, payment terms are subject to further agreement on a per transaction basis but it is agreed that generally FALTEC Group shall provide JiaXing Minth-Hashimoto or its associated companies such licences and know-how at such price no less favourable than those available from other independent third parties. Such prices shall be determined by reference to corresponding market prices and on normal commercial terms which are fair and reasonable as a whole. Should there be no market prices for reference, FALTEC Group shall price its licences and/or know-how at cost plus a reasonable profit. The FALTEC Master Framework Agreement covers the same type of services as the FALTEC Technology Services Agreements and is intended to cover all technology services agreements with FALTEC Group going forward.

Unfortunately, it was considered, mistakenly, that under the Listing Rules, agreements entered into by the Group with a person who, at time of entry into such agreements, was not a connected person would not constitute continuing connected transactions for the Group. During recent management reviews in preparation for the audit, the Company was advised that such transactions with the FALTEC Group after the FALTEC Group became a connected person would constitute continuing connected transactions notwithstanding that the agreements were entered into prior to such time. The Board regrets that it has not complied with Chapter 14A of the Listing Rules in relation to the reporting, announcement and independent shareholders' approval requirements in respect of transactions with the FALTEC

Group on a timely basis. These licences and know-how are exclusive in the market and allows the Group to sell automobile parts in China which are produced to certain product standards prescribed in the Japanese market. Further details of such non-compliance with the Listing Rules will be announced separately.

During the year under review the aggregate consideration for the above-mentioned transactions between the Group and FALTEC Group amounted to approximately RMB19,771,000, among which the amount for four months commenced from 1 September and ended 31 December were approximately RMB13,724,000.

The independent non-executive Directors had reviewed the connected transactions and save as disclosed above, 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.

Remuneration policy

Remuneration policy of the Group is set 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.

As a matter of good faith, Mr. Chin has waived his annual salary as Director since March 2007.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out on page 27 to 29.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

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 period under review in compliance with the Code on Corporate Governance Practice as set out in Appendix 14 to the Listing Rules.

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, they had strictly complied with the Model Code during the period under review.

Material litigation and arbitration

The Group did not engage in any litigation or arbitration of material importance during the year ended 31 December 2007.

Subsequent event

Details of subsequent events are set out in note 39 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.

Auditor

A resolution will be submitted to the Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

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

1 April 2008

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 39 to 104, which comprise the consolidated balance sheet as at 31 December 2007, 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 2007 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

1 April 2008

Consolidated
Income Statement

For the year ended 31 December 2007

	Notes	**2007** **RMB'000**	2006 RMB'000
Turnover	6	**1,408,747**	956,232
Cost of sales		**(858,345)**	(579,835)
Gross profit		**550,402**	376,397
Interest income	7	**29,914**	5,233
Other income	8	**61,961**	22,464
Other gains and losses	9	**(51,238)**	743
Distribution and selling expenses		**(43,055)**	(31,777)
Administrative expenses		**(123,475)**	(86,261)
Other expenses		**(49,921)**	(12,902)
Interest on bank borrowings wholly repayable within five years		**(6,936)**	(2,827)
Share of losses of jointly controlled entities	19	**(14,698)**	(2,648)
Share of profits of associates	20	**41,057**	21,167
Profit before tax		**394,011**	289,589
Income tax expense	10	**(28,196)**	(14,483)
Profit for the year	11	**365,815**	275,106
Attributable to:			
Equity holders of the Company		**359,865**	268,701
Minority interests		**5,950**	6,405
		365,815	275,106
Dividends	13	**78,763**	27,519
Earnings per share	14		
Basic		**RMB0.405**	RMB0.324
Diluted		**RMB0.402**	RMB0.324

Consolidated
Balance Sheet

At 31 December 2007

	Notes	**2007** **RMB'000**	2006 RMB'000
Non-current assets			
Property, plant and equipment	15	**807,590**	584,668
Prepaid lease payments	16	**136,452**	70,152
Goodwill	17	**15,276**	10,718
Other intangible assets	18	**14,881**	11,045
Interests in jointly controlled entities	19	**29,762**	35,343
Interests in associates	20	**72,889**	51,550
Advances to joint venture partners	21	**—**	23,067
Deferred tax assets	22	**8,175**	—
		1,085,025	786,543
Current assets			
Prepaid lease payments	16	**3,276**	1,764
Inventories	23	**279,532**	219,510
Loans to a jointly controlled entity	24	**65,669**	—
Trade and other receivables	25	**430,048**	247,947
Other financial assets	26	**606,172**	—
Pledged bank deposits	27	**9,924**	3,019
Bank balances and cash	27	**933,082**	232,071
		2,327,703	704,311
Current liabilities			
Trade and other payables	28	**284,666**	231,810
Tax liabilities		**12,950**	3,727
Borrowings	29	**117,099**	38,154
		414,715	273,691
Net current assets		**1,912,988**	430,620
Total assets less current liabilities		**2,998,013**	1,217,163

	Notes	2007 RMB'000	2006 RMB'000
Capital and reserves			
Share capital	30	**98,410**	86,345
Reserves		**2,859,159**	1,096,338
Equity attributable to equity holders of the Company		**2,957,569**	1,182,683
Minority interests		**39,066**	34,480
Total equity		**2,996,635**	1,217,163
Non-current liabilities			
Deferred tax liabilities	22	**1,378**	—
		1,378	—
		2,998,013	1,217,163

The consolidated financial statements on pages 39 to 104 were approved and authorised for issue by the Board of Directors on 1 April 2008 and are signed on its behalf by:

Shi Jian Hui
DIRECTOR

Mu Wei Zhong
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	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	Share options 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 2006	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 foreign 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 businesses (note 32)	—	—	—	—	—	—	—	—	—	—	4,450	4,450
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	(8,085)	(8,085)
Dividends recognised as distribution (note 13)	—	—	—	—	—	—	—	—	(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
Exchange difference arising on translation of foreign operations and net loss recognised directly in equity	—	—	—	—	—	—	(680)	—	—	(680)	—	(680)
Profit for the year	—	—	—	—	—	—	—	—	359,865	359,865	5,950	365,815
Total recognised income	—	—	—	—	—	—	(680)	—	359,865	359,185	5,950	365,135
Revaluation reserve recognised upon acquisition of businesses from interests in jointly controlled entities	—	—	—	2,068	—	—	—	—	—	2,068	—	2,068
Recognition of share-based payments	—	—	—	—	—	—	—	13,264	—	13,264	—	13,264
Transfer to reserve fund	—	—	—	—	59,181	—	—	—	(59,181)	—	—	—
Acquisition of additional interests in subsidiaries (note 31)	—	—	—	5,660	—	—	—	—	—	5,660	(7,737)	(2,077)
Acquisition of businesses (note 32)	—	—	—	—	—	—	—	—	—	—	5,772	5,772
Dividends paid to minority interests	—	—	—	—	—	—	—	—	—	—	(4,247)	(4,247)
Dividends recognised as distribution (note 13)	—	—	—	—	—	—	—	—	(78,763)	(78,763)	—	(78,763)
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	—	—	4,848	4,848
Shares issued	12,065	1,496,097	—	—	—	—	—	—	—	1,508,162	—	1,508,162
Transaction costs attributable to issue of shares	—	(34,690)	—	—	—	—	—	—	—	(34,690)	—	(34,690)
At 31 December 2007	98,410	1,883,080	276,199	27,239	89,995	11,159	(7,039)	13,264	565,262	2,957,569	39,066	2,996,635

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 consists of: (i) 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, (ii) reserve arising from acquisition of additional interest in a subsidiary, and (iii) revaluation reserve recognised upon acquisition of businesses from interests in jointly controlled entities.

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 2007

	Notes	2007 RMB'000	2006 RMB'000
Operating activities			
Profit before tax		**394,011**	289,589
Adjustments for:			
Finance costs		**6,936**	2,827
Interest income		**(29,914)**	(5,233)
Share of profits of associates		**(41,057)**	(21,167)
Unrealised profits arising from transactions with associates		**512**	—
Share of losses of jointly controlled entities		**14,698**	2,648
Unrealised profits arising from transactions with jointly controlled entities		**280**	—
Depreciation of property, plant and equipment		**59,482**	38,901
Amortisation of other intangible assets		**4,645**	3,410
Release of prepaid lease payments		**3,116**	1,828
Discount on acquisition of additional interests in subsidiaries	31	**(778)**	—
Discount on acquisition of businesses	32	**(392)**	—
Share-based payment expense		**13,264**	—
Loss on fair value changes of financial assets designated as at FVTPL		**2,078**	—
Loss (gain) on disposal of property, plant and equipment		**359**	(119)
Allowance for inventories (written back)		**927**	(556)
Allowance for bad and doubtful debts		**868**	1,215
Foreign exchange losses		**57,376**	—
Foreign exchange gains arising from foreign currency loans		**(7,579)**	—
Operating cash flows before movements in working capital		**478,832**	313,343
Increase in inventories		**(50,289)**	(37,477)
Increase in trade and other receivables		**(162,722)**	(39,854)
Increase in trade and other payables		**29,817**	11,789
Cash generated from operations		**295,638**	247,801
Income taxes paid		**(27,148)**	(11,981)
Net cash from operating activities		**268,490**	235,820

	Notes	2007 RMB'000	2006 RMB'000
Investing activities			
Interest received		**29,914**	5,233
Dividends received from associates		**19,206**	10,220
Proceeds on disposal of property, plant and equipment		**11,226**	6,008
Purchases of property, plant and equipment		**(262,660)**	(154,460)
Acquisition of investment in an associate		**—**	(9,370)
Acquisition of investment in jointly controlled entities		**(38,049)**	(29,920)
Investment in structured deposits		**(642,968)**	—
Prepaid rentals for lease premium for land		**(63,375)**	(25,283)
Purchases of other intangible assets		**(8,449)**	(3,269)
Acquisition of additional interests in subsidiaries	31	**(5,857)**	(8,085)
Acquisition of businesses	32	**12,348**	(20,106)
Loans to a jointly controlled entity		**(65,669)**	—
Advances to joint venture partners		**—**	(23,067)
Loan to a third party		**(73,000)**	—
Repayment from a third party		**73,000**	—
(Increase) decrease in pledged bank deposits		**(6,905)**	4,837
Net cash used in investing activities		**(1,021,238)**	(247,262)
Financing activities			
Interest paid		**(6,936)**	(2,827)
Dividends paid to equity holders of the Company		**(78,763)**	(27,519)
Dividends paid to minority owners of subsidiaries		**(2,875)**	—
Repayment of bank loans		**(122,572)**	(415,960)
New bank loans raised		**209,096**	223,862
Proceeds from issue of shares		**1,508,162**	—
Expenses on issue of shares		**(34,690)**	—
Capital contributions from minority owners of subsidiaries		**4,848**	6,554
Net cash from (used in) financing activities		**1,476,270**	(215,890)
Net increase (decrease) in cash and cash equivalents		**723,522**	(227,332)
Cash and cash equivalents at beginning of the year		**232,071**	465,540
Effect of foreign exchange rate changes		**(22,511)**	(6,137)
Cash and cash equivalents at the end of the year		**933,082**	232,071
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**933,082**	232,071

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

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 38.

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 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 the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1(Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

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 Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1(Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arranagements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group except for the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised). HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the 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.

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 businesses 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 that meet the conditions for recognition under HKFRS 3 Business Combinations 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.

3. Significant Accounting Policies (continued)

Business combinations (continued)

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. The acquired's net assets are stated at fair value at the date of acquisition when control is achieved. Any adjustment to those fair values relating to previously held interests of the Group is a revaluation and is credited to other reserve. This revaluation reserve will be recognised in the consolidated income statement upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

Acquisition of additional interests in subsidiaries

Acquisition of additional interests in a subsidiary is accounted for as an equity transaction. The difference between the consideration paid and the carrying amount of net assets attributable to the additional interests plus goodwill is included in other reserve. Goodwill attributable to the acquisition of additional interests is determined on the same basis as the notionally adjusted goodwill for the purpose of impairment testing.

Goodwill

Goodwill arising on an acquisition of a business 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 business recognised at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

For the purposes 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 the relevant cash-generating unit or a jointly controlled entity, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. Significant Accounting Policies (continued)

Investments 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 associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, 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 associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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.

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 net assets 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.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

3. Significant Accounting Policies (continued)

Revenue recognition

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

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress 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 other than construction in progress and freehold land over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Freehold land is carried at cost less any recognised impairment loss.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is dereognised.

3. Significant Accounting Policies (continued)

Leasing

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.

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.

Prepaid lease payments

The up-front payments to acquire leasehold interest in land are accounted for as operating leases and are stated at cost and released over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated 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 retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

3. Significant Accounting Policies (continued)

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 and state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

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.

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 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 profits 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 charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. Significant Accounting Policies (continued)

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 expenditure

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

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets other than goodwill 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 recognised 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 recognised 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.

3. Significant Accounting Policies (continued)

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. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent those designated at FVTPL on initial recognition.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including bank and other borrowings, trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to other reserve.

4. Key Sources of Estimation Uncertainty

The following are 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.

Estimated 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 Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where 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 is approximately RMB15 million (2006: RMB11 million) and no impairment loss is recorded in 2007. Details of the consideration of impairment of goodwill are disclosed in note 17.

Fair value of financial instruments not quoted in active market

The directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Such financial instruments are valued using a discounted cash flow analysis based on assumptions supported by market rates adjusted for specific features of the instrument. As at 31 December 2007, the carrying amount of the financial instruments is approximately RMB606 million (2006: nil). Details of such financial instruments are disclosed in note 26.

5. Financial Instruments

(a) Categories of financial instruments

	2007 **RMB'000**	2006 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,394,055**	462,979
Financial assets designated as at fair value through profit or loss (FVTPL)	**606,172**	—
Financial liabilities		
Amortised cost	**396,929**	252,677

5. Financial Instruments (continued)

(b) Financial risk management objectives and polices

The Group's major financial instruments include trade and other receivables, bank balances and cash, pledged bank deposits, loans to a jointly controlled entity, borrowings, trade and other payables, and financial assets designated as at fair value through profit or loss (FVTPL). Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Currency risk*

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

(1) The functional currency of the subsidiaries in the PRC is RMB and the Company and certain subsidiaries have bank balances and structured deposits denominated in foreign currencies.

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

(3) The Company and several subsidiaries also have bank loans denominated in foreign currencies, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**117,747**	7,430	**1,311,899**	113,335
EURO	**6,048**	—	**6,688**	5,136
AUD	**—**	—	**10**	1,252
JPY	**30,290**	6,935	**1,422**	14,534
HKD	**3,056**	732	**16,987**	12,783
CAD	**1**	—	**14**	—
	157,142	15,097	**1,337,020**	147,040

The management will continue to monitor foreign currency risk exposure and consider hedging against it should the need arises.

5. Financial Instruments (continued)

(b) Financial risk management objectives and polices (continued)

Market risk (continued)

(i) *Currency risk (continued)*

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% increase and decrease in functional currency against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. If functional currency had strengthened/weakened 5% against the relevant currency, the Group's profit for the year ended 31 December 2007 would have decreased/increased approximately by RMB56,000,000 (2006: decrease/increase approximately by RMB6,400,000). This is mainly attributable to the Group's significant increase in bank balances denominated in foreign currencies.

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate time deposits and bank borrowings. (see notes 27 and 29)

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, variable-rate borrowings and loans to a jointly controlled entity. (see notes 24, 27 and 29)

The Group has not entered any interest rate hedging contracts. The management closely monitors such risks and will consider hedging significant interest rate risk exposure should the need arise. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Prime rate which arises from its variable-rate bank balance amounting to approximately RMB503 million.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate financial instruments (including bank balances and borrowings) at the balance sheet date. The analysis is prepared assuming the balances outstanding at the balance sheet date were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

5. Financial Instruments (continued)

(b) Financial risk management objectives and polices (continued)

Sensitivity analysis (continued)

(ii) *Interest rate risk (continued)*

Sensitivity analysis (continued)

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would increase/decrease approximately by RMB3,800,000 (2006: increase/decrease approximately by RMB1,200,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and borrowings. The increase is mainly due to the increase in bank balances.

Credit risk

As at 31 December 2007, 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 arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the 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 Group is exposed to credit risk through its structured deposits in the Bank of Société Générale, the credit rating of which has been downgraded by some external credit rating agencies. The directors of the Company consider that such credit risk is limited as the term notes are short-term and are subject to early redemption.

Other than that, 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 concentration of credit risk as 58% (2006: 45%) of the total trade receivables was due from the Group's ten largest customers.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 84% (2006: 87%) of the total trade receivable as at 31 December 2007.

5. Financial Instruments (continued)

(b) Financial risk management objectives and polices (continued)

Liquidity risk

The Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity table

	Weighted average effective interest Rate %	Less than 1 year RMB'000	1–3 years RMB'000	3–5 years RMB'000	5+ years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2007							
Non-derivative financial liabilities							
Trade and other payables		**279,830**	**—**	**—**	**—**	**279,830**	**279,830**
Bank loans	**5.33**	**119,586**	**—**	**—**	**—**	**119,586**	**117,099**
		399,416	**—**	**—**	**—**	**399,416**	**396,929**
2006							
Non-derivative financial liabilities							
Trade and other payables		214,523	—	—	—	214,523	214,523
Bank loans	3.79	38,498	—	—	—	38,498	38,154
		253,021	—	—	—	253,021	252,677

5. Financial Instruments (continued)

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

(d) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 29, and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

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 based on location of customers, irrespective of the origin of the goods:

	2007		2006	
	RMB'000	**%**	RMB'000	%
PRC	**1,203,024**	**85.4**	832,259	87.0
North America	**60,733**	**4.3**	25,110	2.6
Europe	**37,933**	**2.7**	38,115	4.0
Asia Pacific	**107,057**	**7.6**	60,748	6.4
Total	**1,408,747**	**100**	956,232	100

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

7. Interest Income

	2007	2006
	RMB'000	RMB'000
Interest on bank deposits	**25,245**	5,233
Interest on loan receivables	**4,669**	—
Total interest income	**29,914**	5,233

Interest income earned on financial assets, analysed by category of asset, is as follows:

	2007	2006
	RMB'000	RMB'000
Loans and receivables (including cash and bank balances)	**29,914**	5,233

8. Other Income

	2007 RMB'000	2006 RMB'000
Government grants received	**18,298**	2,152
Technology consulting income	**13,817**	3,952
Tax refund on reinvestment	**12,681**	1,595
Sales of scrap and raw materials	**10,407**	8,844
Property rental income	**2,549**	2,578
Discount on acquisition of additiona interests in subsidiaries (note 31)	**778**	—
Discount on acquisition of businesses (note 32)	**392**	—
Others	**3,039**	3,343
Total	**61,961**	22,464

9. Other Gains and Losses

	2007 RMB'000	2006 RMB'000
(Loss) gain on disposal of property, plant and equipment	**(359)**	119
Foreign exchange losses	**(57,376)**	(406)
Foreign exchange gains	**8,575**	1,030
Change in fair value of financial assets designated as at FVTPL	**(2,078)**	—
Total	**(51,238)**	743

10. Income Tax Expense

	2007 RMB'000	2006 RMB'000
Current tax:		
PRC Enterprise Income Tax	**38,047**	14,216
(Over) under provision in prior years:		
PRC Enterprise Income Tax	**(1,676)**	267
Deferred tax (note 22)		
Current year	**(8,175)**	—
	28,196	14,483

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 starting from their first profit making year, followed by a 50% reduction for the next three years ("Tax Holidays"). The tax holidays will expire in 2012.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax ("New Tax Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Tax Law, which will change the tax rate to 25% for all the PRC enterprises from 1 January 2008. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), those entities that previously enjoyed tax incentive rate at 15% would increase their applicable tax rate progressively to 25% over a five-year transitional period. The tax exemption and deduction from foreign enterprise income tax for the foreign investment enterprises is still applicable until the end of the five-year transitional period under the New Tax Law. The deferred tax balance has already reflected the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

10. Income Tax Expense (continued)

The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2007		2006	
	RMB'000	%	RMB'000	%
Profit before tax	**394,011**		289,589	
Tax at the applicable income tax rate	**59,102**	**15.0**	43,438	15.0
Tax effect of share of net profits of associates and jointly controlled entities	**(3,954)**	**(1.0)**	(2,778)	(0.9)
Tax effect of expenses not deductible for tax purpose	**7,806**	**2.0**	973	0.3
Tax effect of deferred tax assets not recognised	**—**	**—**	2,114	0.7
Tax effect of tax losses not recognised	**671**	**0.2**	247	0.1
Utilisation of tax losses previously not recognised	**(178)**	**—**	—	—
Utilisation of temporary differences previously not recognised	**(4,375)**	**(1.1)**	—	—
Effect of tax holidays	**(31,786)**	**(8.1)**	(30,090)	(10.4)
Tax effect of different tax rates of subsidiaries	**1,413**	**0.3**	312	0.1
Deferred tax charged at different income tax rate	**1,173**	**0.3**	—	—
(Over) under provision in respect of prior years	**(1,676)**	**(0.4)**	267	0.1
Tax charge and effective tax rate for the year	**28,196**	**7.2**	14,483	5.0

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

11. Profit for the Year

	2007 RMB'000	2006 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Cost of inventories as expense	**858,345**	579,835
Directors' remuneration (note 12)	**3,366**	3,565
Other staff's retirement benefits scheme contributions	**10,497**	3,473
Other staff's share-based payments	**12,307**	—
Other staff costs	**134,608**	95,339
Total staff costs	**160,778**	102,377
Less: Staff costs included in research expenditure	**(14,975)**	(6,752)
	145,803	95,625
Auditor's remuneration	**3,592**	2,586
Depreciation for property, plant and equipment	**59,482**	38,901
Less: Depreciation included in research expenditure	**(5,345)**	(4,893)
	54,137	34,008
Amortisation of other intangible assets (included in administrative expenses)	**4,645**	3,410
Release of prepaid lease payments	**3,116**	1,828
Allowance for bad and doubtful debts	**868**	1,215
Bad debts written off	**4,486**	6,988
Write-down (reversal) of inventories (note a)	**927**	(556)
Operating lease rentals of buildings	**2,601**	1,445
Research expenditure	**49,921**	32,256
Profit for the year has been arrived at after crediting:		
Property rental income	**3,274**	3,015
Less: Outgoings	**(725)**	(437)
	2,549	2,578
Discount on acquisition of additional interests in subsidiaries (note 31) (included in other income)	**778**	—
Discount on acquisition of businesses (note 32) (included in other income)	**392**	—
Government subsidies (note b)	**18,298**	2,152

Note a: Allowance 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.

12. Directors' and Employees' Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the nine (2006: ten) directors were as follows:

		Others emoluments			
	Fees RMB'000	Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2007					
Executive directors:					
Chin Jong Hwa	—	100	—	3	103
Shi Jian Hui	—	661	319	33	1,013
Mu Wei Zhong	—	473	319	33	825
Chin Jung Huang	—	228	—	—	228
Zhao Feng	—	406	319	34	759
	—	1,868	957	103	2,928
Non-executive directors:					
Shaw Sun Kan Gordon	—	—	—	—	—
Independent non-executive directors:					
Heng Kwoo Seng	146	—	—	—	146
Wang Ching	146	—	—	—	146
Zhang Liren	146	—	—	—	146
	438	—	—	—	438

12. Directors' and Employees' Emoluments (continued)

(a) Directors' emoluments (continued)

		Others emoluments			
	Fees	Salaries and other benefits	Share-based payments	Retirement benefits scheme contributions	Total
	RMB'000	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

In the year ended 31 December 2007, one director waived emoluments of RMB500,000. No directors waived any emoluments in the year ended 31 December 2006.

12. Directors' and Employees' Emoluments (continued)

(b) Employees' emoluments

During the year, the five highest paid individuals included three directors (2006: four directors), details of whose emoluments are set out above. The emoluments of the remaining two (2006: one) highest paid individuals were as follows:

	Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirements benefits scheme contributions RMB'000	Total RMB'000
2007	**1,115**	**701**	**—**	**1,816**
2006	494	—	—	494

Their emoluments were within the following bands:

	2007 No. of employees	2006 No. of employees
RMB nil to RMB1,000,000	**1**	1
RMB1,000,000 to RMB1,500,000	**1**	—

13. Dividends

	2007 RMB'000	2006 RMB'000
Dividends recognised as distribution during the year:		
Final — HK$0.097 per share (2006: HK$0.033)	**78,763**	27,519

In the annual general meeting held on 8 May 2007, a final dividend of HK$ 0.097 per share in respect of the year ended 31 December 2006 was approved by the shareholders and subsequently paid to the shareholders of the Company.

A final dividend of HK$0.121 per ordinary share for the year ended 31 December 2007 has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting to be held on 12 May 2008.

14. Earnings Per Share

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

	2007 **RMB'000**	2006 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to equity holders of the Company)	**359,865**	268,701

	2007 **'000**	2006 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**888,668**	830,000
Effect of dilutive potential ordinary shares:		
Options	**6,426**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**895,094**	830,000

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the shares issued on 12 July 2007.

15. Property, Plant and Equipment

	Freehold land RMB'000	Buildings RMB'000	Furniture and equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2006	—	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 businesses (note 32)	—	—	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
Exchange adjustments	—	—	(40)	—	—	—	—	(40)
Additions	4,806	28,271	15,493	1,134	2,740	51,056	145,366	248,866
Acquired on acquisition of businesses (note 32)	—	1,463	3,811	—	353	36,386	3,144	45,157
Disposals	—	—	(3,821)	—	(460)	(10,501)	—	(14,782)
Transfers	1,986	82,626	3,607	336	480	53,958	(142,993)	—
At 31 December 2007	6,792	346,934	44,960	5,265	20,466	498,272	52,887	975,576
DEPRECIATION								
At 1 January 2006	—	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	2,035	5,845	73,204	—	111,707
Exchange adjustments	—	—	(6)	—	—	—	—	(6)
Provided for the year	—	13,383	6,681	699	3,242	35,477	—	59,482
Eliminated on disposals	—	—	(164)	—	(129)	(2,904)	—	(3,197)
At 31 December 2007	—	37,030	13,487	2,734	8,958	105,777	—	167,986
CARRYING AMOUNT								
At 31 December 2007	6,792	309,904	31,473	2,531	11,508	392,495	52,887	807,590
At 31 December 2006	—	210,927	18,934	1,760	11,508	294,169	47,370	584,668

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

Freehold land	Nil
Buildings	2.6%–5.8%
Furniture and equipment	9%–18%
Motor vehicles	18%
Plant and machinery	9%
Leasehold improvements	18%

No interest was capitalised under construction in progress.

16. Prepaid Lease Payments

	2007 RMB'000	2006 RMB'000
Prepaid lease payments	**139,728**	71,916
Analysed for reporting purposes as:		
Current asset	**3,276**	1,764
Non-current asset	**136,452**	70,152
At 31 December	**139,728**	71,916

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.

17. Goodwill

	2007 RMB'000	2006 RMB'000
COST		
At 1 January	**10,718**	—
Arising on acquisition of a subsidiary	**—**	10,718
Arising on acquisition of additional interests in subsidiaries (note 31)	**4,558**	—
At 31 December	**15,276**	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"). The addition of the goodwill in current year arose on the acquisition of the remaining interest in Jiaxing Minrong (details set out in note 31).

Impairment test of goodwill

As at 31 December 2007, the carrying amount of goodwill allocated to the cash-generating unit of auto-parts manufacturing business of Jiaxing Minrong is RMB15,276,000 (2006: RMB10,718,000). The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses discounted cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 13.44% (2006: 13.90%) per annum.

17. Goodwill (continued)

Impairment test of goodwill (continued)

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.

18. Other Intangible Assets

	Patent	Technical know-how	Total
	RMB'000	RMB'000	RMB'000
COST			
At 1 January 2006	1,621	13,239	14,860
Additions	—	3,269	3,269
At 31 December 2006	1,621	16,508	18,129
Additions	—	8,449	8,449
Acquired on acquisition of businesses (note 32)	—	32	32
At 31 December 2007	1,621	24,989	26,610
AMORTISATION			
At 1 January 2006	326	3,348	3,674
Charge for the year	214	3,196	3,410
At 31 December 2006	540	6,544	7,084
Charge for the year	324	4,321	4,645
At 31 December 2007	864	10,865	11,729
CARRYING VALUES			
At 31 December 2007	757	14,124	14,881
At 31 December 2006	1,081	9,964	11,045

The other 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.

19. Interests in Jointly Controlled Entities

As at 31 December 2007 and 31 December 2006, the Group had interests in the following significant jointly controlled entities:

Name of entities	Country of incorporation and operation	Attributable equity interest of the Group 2007	2006	Paid-in capital	Principal activities
Jiaxing Kittel-Minth Automotive Co., Ltd. (Note a)	PRC	**50%**	50%	US$3,000,000	Manufacture of automotive parts
Plastic Trim International, Inc. (Note b)	United States of America ("USA")	**48%**	—	US$8,700,000	Manufacture of plastic injection moulding and extrusion
Jiaxing Shinyou Mould Tech Co., Ltd. (Note c)	PRC	**—**	50%	US$8,700,000	Design and manufacture of mould
Ningbo Xinhong Precious Machine Co., Ltd. (Note c)	PRC	**—**	50%	US$1,500,000	Design and manufacture of stamping dies
Jiaxing Minth Hashimoto Automotive Co., Ltd. (Note c)	PRC	**—**	50%	US$—	Manufacture of automotive parts

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

Note b: The entity was newly incorporated on 4 April 2007 as a joint venture primarily for the purpose of acquiring plastic injection moulding and extrusion business.

Note c: These entities became subsidiaries of the Group upon acquisition of additional interests in 2007 (details set out in note 32).

Jointly controlled entities accounted for using the equity method of accounting.

	2007 RMB'000	2006 RMB'000
Cost of unlisted investment in jointly controlled entities	**43,905**	37,991
Share of post-acquisition losses	**(14,143)**	(2,648)
Investment in jointly controlled entities	**29,762**	35,343

19. Interests in Jointly Controlled Entities (continued)

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

	2007 **RMB'000**	2006 RMB'000
Current assets	**127,885**	25,158
Non-current assets	**194,631**	58,487
Current liabilities	**154,253**	12,959
Non-current liabilities	**106,781**	—

	2007 **RMB'000**	2006 RMB'000
Revenue	**260,269**	7,438
Losses for the year	**(30,344)**	(5,296)
Share of the losses for the year	**(14,698)**	(2,648)

20. Interests in Associates

As at 31 December 2007 and 31 December 2006, the Group had interests in the following associates:

Name of entities	**Country of incorporation and operation**	**Attributable equity interest of the Group**	**Paid-in capital**	**Principal activities**
Ningbo Tokai Minth Automotive Parts Co., Ltd.,	PRC	48%	US$4,800,000	Manufacture of automotive parts
Guangzhou Tokai Minth Automotive Parts Co., Ltd.	PRC	48%	US$2,500,000	Manufacture of automotive parts

20. Interests in Associates (continued)

	2007 RMB'000	2006 RMB'000
Cost of unlisted investment in associates	**28,881**	28,881
Share of post-acquisition profits, net of dividends received	**44,008**	22,669
Share of net assets	**72,889**	51,550

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

	2007 RMB'000	2006 RMB'000
Total assets	**197,830**	163,166
Total liabilities	**45,977**	55,770
Net assets	**151,853**	107,396
Group's share of net assets of associates	**72,889**	51,550

	2007 RMB'000	2006 RMB'000
Revenue	**296,084**	215,050
Profit for the year	**85,535**	44,097
Group's share of the associates' profit for the year	**41,057**	21,167

21. Advances to Joint Venture Partners

The advances at 31 December 2006 represented the Group's advances granted to the joint venture partners of joint controlled entities which were interest free. In 2007, the Group entered into acquisition agreements with the joint venture partners to acquire the remaining interests in the joint venture entities and the advances were settled.

22. Deferred Taxation

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current year:

Deferred tax assets

	Allowance for doubtful debts RMB'000	Allowance for inventories RMB'000	Unrealised profit in assets RMB'000	Temporary difference of expense RMB'000	Total RMB'000
At 1 January 2007	—	—	—	—	—
Credit to consolidated income statement for the year	398	410	6,478	889	8,175
At 31 December 2007	398	410	6,478	889	8,175

Deferred tax liability

	Fair value adjustment on acquisition of businesses RMB'000
At 1 January 2007	—
Arising from acquisition of businesses (note 32)	1,378
At 31 December 2007	1,378

At the balance sheet date, the Group has unused tax losses of RMB4.9 million (2006: RMB1.6 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. About RMB0.5 million tax losses will expire in 2011 and RMB4.4 million tax losses will expire in 2012.

23. Inventories

	2007	2006
	RMB'000	RMB'000
Raw materials	**63,744**	50,419
Work in progress	**58,729**	51,785
Finished goods	**47,322**	32,959
Moulds	**109,737**	84,347
	279,532	219,510

24. Loans to a Jointly Controlled Entity

	Maturity date	**Effective interest rate**	**Carrying amount 2007**
			RMB'000
Variable-rate loan receivable	31 August 2008	LIBOR+1.0%	33,679
Variable-rate loan receivable	7 June 2008	PRIME+0.5%	31,990
			65,669

Loans to a jointly controlled entity are denominated in USD, functional currency of the relevant group entity.

25. Trade and Other Receivables

	2007 RMB'000	2006 RMB'000
Trade receivables		
— associates	**25,094**	16,237
— jointly controlled entities	**5,811**	5,402
— third parties	**314,633**	171,977
Less: allowance for doubtful debts	**(1,120)**	(1,411)
	344,418	192,205
Bill receivables	**21,249**	26,205
	365,667	218,410
Other receivables	**21,692**	14,475
Less: allowance for doubtful debts	**(1,133)**	(4,460)
	386,226	228,425
Prepayments	**43,822**	19,522
Total trade and other receivables	**430,048**	247,947

The Group allows an average credit period of 60 days to 90 days from when the goods are verified and accepted by customers. The following is an aged analysis of trade receivables and bills receivables net of allowance for doubtful debts at the balance sheet date:

	2007 RMB'000	2006 RMB'000
Age		
0–90 days	**350,505**	209,382
91–180 days	**8,686**	8,342
181–365 days	**6,271**	227
1–2 years	**205**	459
	365,667	218,410

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. 97% (2006: 97%) of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group. Trade receivables that are neither past due nor impaired relate to a large number of diversified customers for whom there are no recent history of default.

25. Trade and Other Receivables (continued)

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB8,877,000 (2006: RMB4,882,000) which are past due at the reporting date. However, the directors have considered amounts in the context of the credit quality of the relevant customers and concluded that the Group did not provide for impairment loss. The average age of these receivables is 176 days (2006: 125 days).

Ageing of trade receivables which are past due but not impaired

	2007	2006
	RMB'000	RMB'000
Age		
91–180 days	**2,516**	4,597
181–365 days	**6,266**	180
1–2 years	**95**	105
	8,877	4,882

The Group has provided fully for all receivables over 2 years because historical experience is such that receivables that are past due beyond 2 years are generally not recoverable.

Movement in the allowance for doubtful debts

	2007	2006
	RMB'000	RMB'000
Balance at beginning of the year	**5,871**	11,644
Impairment losses recognised on receivables	**868**	1,215
Amounts written off as uncollectible	**(4,486)**	(6,988)
Balance at end of the year	**2,253**	5,871

Included in the allowance for doubtful debts are impairment of RMB868,000 (2006: RMB1,215,000) recognised in respect of individually partially impaired trade and other receivables with an aggregate carrying amount of RMB2,428,000 (2006: RMB6,613,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

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

Original currrency	**USD**	**JPY**	**AUD**	**EURO**
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2007	**52,055**	**248**	**—**	**1,198**
As at 31 December 2006	23,003	1	539	1,044

26. Other Financial Assets

	2007	2006
	RMB'000	RMB'000
Financial assets designated as at fair value through profit or loss (FVTPL)	**606,172**	—

During the year, the Group entered into three contracts of structured deposits with two banks for a period of one year. The entire contracts have been designated as financial assets at fair value through profit or loss on initial recognition. The significant terms and conditions relating to the financial assets as FVTPL are as follows:

(i) One Year Range Accrual Callable Euro Medium Term Note

Notional amount	**Value date**	**Redemption date**	**Coupon**	**Interest rate**
US$50,000,000	24/08/07	24/08/08 (subject to Early Redemption)	Quarterly, 30/360	variable

Interest rate is related to the 3 months USD Libor published daily on Reuters page LIBOR01 at 11:00 am, London time.

Coupon Payment Dates: Every 3 months starting 3 months from Issue Date (15/08/07) until Redemption Date.
Issue Price: Issued at 100%

(ii) One Year Range Accrual Callable Euro Medium Term Note

Notional amount	**Value date**	**Redemption date**	**Coupon**	**Interest rate**
US$30,000,000	31/08/07	31/08/08 (subject to Early Redemption)	Quarterly, 30/360	variable

Interest rate is related to the 3 months USD Libor published daily on Reuters page LIBOR01 at 11:00 am, London time.

Coupon Payment Dates: Every 3 months starting 3 months from Issue Date (17/08/07) until Redemption Date.
Issue Price: Issued at 100%

26. Other Financial Assets (continued)

(ii) One Year Range Accrual Callable Euro Medium Term Note (continued)

The above two products are issued by (SGA) Société Générale Acceptance N.V. ("Issuer") and are callable by the Issuer at par starting from the first coupon payment date and on every coupon payment date thereafter with a prior notice of 5 Business Days.

Fair values are measured using a discounted cash flow method and based on market yield of USD denominated AA grade bond with maturity same as the Euro Medium Term Notes. Discount rates of 4.99% and 4.97% per annum were applied respectively for US $50 million and US$30 million structured deposits.

(iii) Principal Protected 12 month Basket Linked Euro Medium Term Note

Notional amount	Issue date	Maturity date	Coupon	Interest rate
USD5,000,000	21/12/07	22/12/08	Not applicable	variable

Interest rate is related to USD exchange rate to Philippine Pesos/Indonesian Rupiah/Malaysian Ringgit/Singapore Dollar.
Issue Price: Issued at 100%

The product is issued by HSBC. Fair value is estimated using a discounted cash flow method, which includes some assumptions supported by market rates adjusted for specific features of these instruments. Discount rate of 4.65% per annum was applied.

As at 31 December 2007, the total fair value loss net of interest income of the above three structured deposits is RMB2,078,000 and has been charged to the consolidated income statement.

27. Bank Balances and Pledged Bank Deposits

Bank balances carry interest at market rates which range from 0.72% to 4.50% per annum (2006: 0.72% to 1.98%). The pledged deposits carry fixed interest rate of 3.33% per annum. The pledged deposits will be released upon the settlement of relevant bank borrowings.

Pledged bank deposits represents deposits pledged to banks to secure short-term banking facilities granted to the Group in respect of purchases of materials for manufacturing and are therefore classified as current assets.

The Group's pledged bank deposits and certain bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

Original currency	**USD**	**HKD**	**JPY**	**EURO**	**CAD**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2007	**647,568**	**16,987**	**270**	**5,125**	**14**
As at 31 December 2006	8,243	8,097	5,877	3,737	—

28. Trade and Other Payables

	2007	2006
	RMB'000	RMB'000
Trade payables		
— associates	**3,326**	2,358
— jointly controlled entities	**2,462**	—
— third parties	**148,742**	98,931
	154,530	101,289
Bills payables	**11,035**	17,948
	165,565	119,237
Payroll and welfare payables	**30,670**	21,922
Advance from customers	**4,836**	17,287
Consideration payable of acquisition of property, plant and equipment	**32,192**	45,986
Dividend payable to minority owners of subsidiaries	**1,372**	—
Technology support services fees payable	**20,143**	7,736
Others	**29,888**	19,642
	284,666	231,810

The average credit period on purchases of goods is 45 days to 90 days. The Group has financial risk management policies in place to ensure that all payables will be settled within the credit timeframe.

28. Trade and Other Payables (continued)

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

	2007 RMB'000	2006 RMB'000
Age		
0 to 90 days	**163,763**	117,151
91 to 180 days	**554**	624
181 to 365 days	**267**	377
1–2 years	**907**	682
Over 2 years	**74**	403
	165,565	119,237

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

Original currency	USD RMB'000	JPY RMB'000	EURO RMB'000
As at 31 December 2007	**6,735**	**5,380**	**6,027**
As at 31 December 2006	7,430	6,935	—

29. Borrowings

	2007 RMB'000	2006 RMB'000
Bank loans	**117,099**	38,154
Secured	**6,812**	—
Unsecured	**110,287**	38,154
	117,099	38,154
Fixed-rate bank loans	**6,812**	38,154
Variable-rate bank loans	**110,287**	—
	117,099	38,154
Carrying amount repayable:		
On demand or within one year	**117,099**	38,154

The Group has variable-rate bank loans which carry interest at LIBOR. Interest is repriced every three months.

29. Borrowings (continued)

The range of effective interest rates on the Group's bank loans are as follows:

	2007	2006
	RMB'000	RMB'000
Effective interest rate:		
Fixed-rate bank loans	**6.0%**	3.6 to 4.3%
Variable-rate bank loans	**1.0% to 7.8%**	—

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	USD	JPY
	RMB'000	RMB'000
As at 31 December 2007	**98,482**	**18,617**
As at 31 December 2006	—	—

During the year, the Group obtained new loans in the amount of RMB209,096,000. The loans bear interest at market rates and will be repayable in 2008. The proceeds were used to provide additional working capital for the Group.

30. Share Capital of the Company

	Number of shares		Share capital	
	2007	2006	**2007**	2006
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.1 each				
Authorised				
At beginning and end of year	**5,000,000**	5,000,000	**500,000**	500,000

30. Share Capital of the Company (continued)

	Number of shares		Share capital	
	2007	2006	**2007**	2006
	'000	'000	**RMB'000**	RMB'000
Issued and fully paid				
At beginning of year	**830,000**	830,000	**86,345**	86,345
Issued of shares by private placement under general mandate	**124,500**	—	**12,065**	—
At end of year	**954,500**	830,000	**98,410**	86,345

On 5 July 2007, arrangements were made for a private placement to independent private investors of 124,500,000 shares of HK$0.1 each in the Company held by Mr. Chin Jong Hwa, the chairman of the Company, at a price of HK$12.50 per share.

Pursuant to a subscription agreement of the same date, Mr. Chin Jong Hwa subscribed for 124,500,000 new shares of HK$0.1 each in the Company at a price of HK$12.5 per share. The proceeds were used to increase production capacity and sales of the Group in China and abroad. These new shares were issued under the general mandate granted to the directors pursuant to the resolution of the shareholders passed in the general meeting held on 8 May 2007 and rank pari passu with other shares in issue in all respects.

31. Acquisition of Additional Interests in Subsidiaries

On 1 January 2007, the Group acquired remaining interests of 30% in Jiaxing Minrong Automotive Parts Co., Ltd. ("Jiaxing Minrong") and 20% in Jiaxing EL Triumph Automotive Parts Co., Ltd. ("Jiaxing EL Triumph") for a total consideration of RMB5,857,000. After the acquisition, Jiaxing Minrong and Jiaxing EL Triumph are indirectly wholly owned subsidiaries of the Company. The amount of goodwill, other reserve and discount arising as a result of the acquisition were RMB4,558,000, RMB5,660,000 and RMB778,000 respectively.

31. Acquisition of Additional Interests in Subsidiaries (continued)

The acquisition prices were agreed through negotiation between the Group and the minority shareholders.

	Jiaxing Minrong	Jiaxing EL Triumph	Total
	RMB'000	RMB'000	RMB'000
Net assets acquired	5,127	2,610	7,737
Goodwill (Note a)	4,558	—	4,558
Reserve on acquisition (Note a)	(5,660)	—	(5,660)
Discount on acquisition (Note b)	—	(778)	(778)
Total consideration satisfied by:			
Cash	4,025	1,832	5,857

Note a: Goodwill attributable to 70% interests in Jiaxing Minrong at the acquisition date is RMB10,718,000. Goodwill recognised in relation to the acquisition of the 30% additional interests represents the goodwill notionally attributable to the 30% interests determined on the same basis as the notionally adjusted goodwill for the purpose of impairment testing.

Note b: Discount on acquisition of additional 20% interests in Jiaxing EL Triumph represented the excess of net assets acquired over the consideration.

32. Acquisition of Businesses

On 30 April 2007, 31 August 2007 and 30 September 2007, the Group acquired 50%, 15% and 50% of the issued share capital of Ningbo Xinhong Precious Machine Co., Ltd ("Ningbo Xinhong"), Jiaxing Minth Hashimoto Automotive Co., Ltd ("Jiaxing Minth Hashimoto") and Jiaxing Shinyou Mould Tech Co., Ltd ("Jiaxing Shinyou") for a total consideration of RMB24,556,000. These entities were jointly controlled entities before the acquisitions. These acquisitions have been accounted for using the purchase method. The total discounts arising as the result of the acquisitions were RMB392,000.

32. Acquisition of Businesses (continued)

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

	Ningbo Xinhong RMB'000	Jiaxing Minth Hashimoto RMB'000	Jiaxing Shinyou carrying amount RMB'000	Jiaxing Shinyou Fair value adjustments RMB'000	Jiaxing Shinyou Fair value RMB'000	Total RMB'000
Net assets acquired:						
Property, plant and equipment	6,161	1,402	37,594	—	37,594	45,157
Prepaid lease payments	—	80	1,959	5,514	7,473	7,553
Other intangible assets	—	—	32	—	32	32
Inventories	380	15	10,265	—	10,265	10,660
Trade and other receivables	4,494	19	15,734	—	15,734	20,247
Bank balances and cash	440	10,093	4,097	—	4,097	14,630
Trade and other payables	(694)	(64)	(34,703)	—	(34,703)	(35,461)
Deferred tax liability	—	—	—	(1,378)	(1,378)	(1,378)
	10,781	11,545	34,978	4,136	39,114	61,440
Less: Interests in jointly controlled entities held prior to the acquisition						(28,652)
Revaluation reserve on previously held interests						(2,068)
Minority interests						(5,772)
Discount on acquisition						(392)
Total consideration satisfied by:						
Cash						2,282
Advances to joint venture partners						22,274
						24,556
Net cash inflow arising on acquisition:						
Cash consideration paid						(2,282)
Bank balances and cash acquired						14,630
						12,348

The entities acquired contributed approximately RMB1 million to the Group's profit for the period between the date of acquisition and the balance sheet date.

32. Acquisition of Businesses (continued)

If the acquisition had been completed on 1 January 2007, total group revenue for the year would have been RMB1,410 million, and profit for the year would have been RMB361 million. The pro forma 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 2007, nor is it intended to be a projection of future results.

On 30 April 2006, the Group acquired 70% of the issued share capital of 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 RMB'000 (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)
Tax liabilities	(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.

32. Acquisition of Businesses (continued)

If the acquisition had been completed on 1 January 2006, total group revenue for the year would have been RMB959 million, and profit for the year would have been RMB277 million. The pro forma 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.

33. Operating Leases

The Group as lessee

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

	2007	2006
	RMB'000	RMB'000
Within one year	**2,420**	1,492
In the second to fifth year inclusive	**3,152**	1,083
	5,572	2,575

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 RMB3,274,000 (2006: RMB3,015,000).

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

	2007	2006
	RMB'000	RMB'000
Within one year	**1,023**	1,324
In the second to fifth year inclusive	**—**	340
	1,023	1,664

34. Commitments

	2007 RMB'000	2006 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	**13,713**	24,403
Commitment to invest in a jointly controlled entity	**—**	31,235
Capital injection to associates, authorised but not contracted for:	**19,722**	—

35. Share-based Payment Transactions

Equity-settled share option scheme

The Company's share option scheme (the Scheme), was adopted pursuant to a resolution passed on 13 November 2005 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 13 November 2015. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 December 2007, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 20,800,000 (2006: nil), representing 2.2% (2006: nil) of the shares of the Company in issue at balance sheet date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors, or any of their respective associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

35. Share-based Payment Transactions (continued)

Equity-settled share option scheme (continued)

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. In respect of the share options granted in 2007, 50% of the total granted options may be exercised after the end of the first twelve months and the remaining 50% of options may be exercised after the end of the twenty-four months from the date of acceptance of the options. The exercise price is HK$6.31 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.

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price	Fair value at grant date
				HK$	HK$
2007A	01/02/07	01/02/07 to 31/01/08	01/02/08 to 12/11/10	6.31	0.97
2007B	01/02/07	01/02/07 to 31/01/09	01/02/09 to 12/11/10	6.31	1.26

The following table discloses movements of the Company's share options held by employees during the year:

Option type	Outstanding at 01/01/07	Granted during year	Exercised during year	Forfeited during year	Expired during year	Outstanding at 31/12/07
2007A	—	10,400,000	—	—	—	10,400,000
2007B	—	10,400,000	—	—	—	10,400,000
	—	20,800,000	—	—	—	20,800,000

During the year ended 31 December 2007, options were granted on 1 February. The estimated fair values of the options granted on the date are HK$23,192,000.

None of the options are exercisable at the end of the year.

35. Share-based Payment Transactions (continued)

Equity-settled share option scheme (continued)

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	Option type	
	2007A	**2007B**
Grant date share price	HK$6.31	HK$6.31
Exercise price	HK$6.31	HK$6.31
Expected volatility	31.1%	30.3%
Expected life	1.40 years	2.52 years
Risk-free rate	3.99%	3.96%
Expected dividend yield	2.06%	2.06%

Expected volatility was determined by using the historical volatility of the share price of entities in the same industry over the previous 1.40 and 2.52 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of RMB13,264,000 for the year ended 31 December 2007 (2006: nil) in relation to share options granted by the Company.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

36. Retirement Benefits Scheme

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

During the year, the Group established a defined contribution plan. This pension scheme is managed by a third party insurance company in the PRC and the subsidiaries make contributions at their discretion to fund the benefits of such pension scheme. Contributions of RMB6,101,000 made to such plan during the year were charged as an expense.

The total cost charged to income of RMB10,600,000 (2006: RMB3,507,000) represents contributions paid to these schemes by the Group in respect of the current accounting period.

37. Related Party Transactions and Connected Transactions

Saved as disclosed in note 24, the Group has the following significant transactions with related/connected parties during the year:

Relationship with related/connected party	Nature of transactions	2007 RMB'000	2006 RMB'000
Jointly controlled entities, in which the Company has 50% equity interest	Sales of finished goods	**12,148**	5,054
	Sales of raw materials	**46**	—
	Purchase of raw materials	**12,311**	—
	Proceeds from disposal of property, plant and equipment received	**336**	—
	Acquisition of equipments	**89**	—
	Property rentals received	**2,227**	—
	Testing services income received	**68**	—
	Interest income received	**709**	—
A jointly controlled entity, in which the Company has 48% equity interest	Consulting services income received	**193**	—
	Property rentals received	**284**	—
	Interest income received	**2,432**	—
Associates, in which the Company has 48% equity interest	Sales of finished goods	**84,398**	72,991
	Sales of raw materials	**6,971**	—
	Purchase of raw materials	**12,017**	7,666
	Proceeds from disposal of property, plant and equipment received	**6,380**	370
	Property rentals received	**2,380**	1,238
	Testing services income received	**239**	273
	Technology support services fees received	**319**	—
	Technology support services fees paid	**66**	—
Minority owners having significant influence over subsidiaries	Sales of finished goods	**35,718**	16,955
	Purchase of raw materials	**27,265**	12,992
	Purchase of moulds	**4,278**	—
	Technology support services fees paid	**9,949**	3,554
	Purchase of intangible assets	**5,479**	—
Companies in which Mr. Chin has joint control	Property rentals received	**187**	316
Companies controlled by a minority owner having significant influence over a subsidiary*	Sales of finished goods	**—**	61,293

37. Related Party Transactions and Connected Transactions (continued)

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

The transactions mentioned above also include connected transactions or continuing connected transactions as defined in Chapter 14A of the Stock Exchange's listing rules.

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:

	2007 **RMB'000**	2006 RMB'000
Short-term benefits	**4,245**	5,835
Post-employment benefits	**199**	56
Share-based payments	**2,551**	—
	6,995	5,891

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

38. Subsidiaries

Details of the Company's subsidiaries as at 31 December 2007 and 31 December 2006 are as follows:

Name of subsidiary	Country of incorporation/ registration	Attributable equity interest of the Group	Issued shares	Principal activities
Decade Industries Limited	British Virgin Islands	100%	US$1	Investment holding
Forecast Industries Limited	British Virgin Islands	100%	US$1	Investment holding
Mindway Holdings Limited	British Virgin Islands	100%	US$1	Investment holding
Sinoone Holdings Limited	British Virgin Islands	100%	US$1	Investment holding
Wealthfield Holdings Limited (Note i)	British Virgin Islands	100%	US$1	Investment holding
Cheerplan Holdings Limited (Note i)	British Virgin Islands	100%	US$1	Investment holding
Franshoke Investments Limited (Note ii)	British Virgin Islands	100%	US$1	Investment holding
Enboma Investments Limited (Note ii)	British Virgin Islands	100%	US$1	Investment holding
明炻投資有限公司 (Minth Investment Limited) (Note ii)	Hong Kong	100%	HK$10,000	Investment holding
司諾(香港)有限公司 (Sinoone (HK) Limited) (Note ii)	Hong Kong	100%	HK$10,000	Investment holding
時銘(香港)有限公司 (Decade (HK) Limited) (Note ii)	Hong Kong	100%	HK$10,000	Investment holding
睿途(香港)有限公司 (Mindway (HK) Limited) (Note ii)	Hong Kong	100%	HK$10,000	Investment holding
展圖(香港)有限公司 (Cheerplan (HK) Limited) (Note ii)	Hong Kong	100%	HK$10,000	Investment holding

38. Subsidiaries (continued)

Name of subsidiary	Country of incorporation/ registration	Attributable equity interest of the Group	Issued shares	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%	US$1,050,000	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%	US$4,200,000	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 equity joint venture enterprise	70% (Note 34)	US$5,350,000	Manufacture, process and sales of exterior automobile body parts
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%	US$1,000,000	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%	US$13,510,000	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%	US$4,800,000	Design, manufacture, develop and sales ofexterior automobile body parts

38. Subsidiaries (continued)

Name of subsidiary	Country of incorporation/ registration	Attributable equity interest of the Group	Issued shares	Principal activities
寧波信泰機械有限公司 Ningbo Shintai Machines Co., Ltd. ("Ningbo Shintai")	PRC for a term of 20 years as a WOFE	100%	US$27,340,000	Design, manufacture, develop and sales of exterior automobile body parts
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 enterprise	80%	US$2,500,000	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%	US$5,000,000	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%	US$3,000,000	Manufacture and sales of exterior automobilebody parts
嘉興敏榮汽車零部件有限公司 (Jiaxing Minrong Automotive Parts Co., Ltd.) ("Jiaxing Minrong") (Note v)	PRC for a term of 20 years as a WOFE	100%	US$1,510,000	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")	PRC for a term of 20 years as a WOFE	100% (Note iv)	US$1,700,000	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")	PRC for a term of 15 years as a WOFE	100%	US$600,000	Design of automobile exterior, interior decorative parts

38. Subsidiaries (continued)

Name of subsidiary	Country of incorporation/ registration	Attributable equity interest of the Group	Issued shares	Principal activities
重慶敏特汽車零部件有限公司 Chongqing Minte Automobile Spart Parts Co., Ltd. ("Chongqing Minte")	PRC for a term of 10 years as a WOFE	100%	US$5,000,000	Manufacture and sales of exterior automobile body parts
展圖(中國)投資有限公司 Cheerplan (China) Investments Co., Ltd.	PRC for a term of 50 years as a WOFE	100%	US$30,000,000	Investment holding
嘉興興禾汽車零部件有限公司 (Jiaxing Xinghe Automotive Parts Co., Ltd.) ("Jiaxing Xinghe") (Note ii)	PRC for a term of 20 years as a sino foreign investment enterprise	100%	US$4,000,000	Manufacture and sales of exterior automobile body parts
寧波敏禾機械有限公司 (Ningbo Minhe Machines Co., Ltd.) ("Ningbo Minhe") (Note ii)	PRC for a term of 20 years as a WOFE	100%	US$500,000	Design, manufactures, sales of exterior automobile body parts
長春敏實汽車零部件有限公司 (Changchun Minth Automotive Parts Co., Ltd.) (" Changchun Minth") (Note ii)	PRC for a term of 20 years as a sino equity joint venture enterprise	55%	US$1,400,000	Manufacture and sales of exterior automobile body parts
敏實北美有限公司 (Minth North America, Inc) (Note ii)	USA	100%	US$1,940,000	Research and marketing development
嘉興泰禾汽車零部件有限公司 (Jiaxing Taihe Automotive Parts Co., Ltd.) ("Jiaxing Taihe") (Note ii)	PRC for a term of 20 years as a WOFE	100%	US$1,150,000	Manufacture and sales of exterior automobile body parts
嘉興振禾汽車零部件有限公司 (Jiaxing Zhenhe Automotive Parts Co., Ltd.) ("Jiaxing Zhenhe") (Note ii)	PRC for a term of 20 years as a WOFE	100%	US$1,200,000	Manufacture and sales of exterior automobile body parts

38. Subsidiaries (continued)

Name of subsidiary	Country of incorporation/ registration	Attributable equity interest of the Group	Issued shares	Principal activities
嘉興敏實機械有限公司 (Jiaxing Minth Machines Co., Ltd.) ("Jiaxing Minth") (Note ii)	PRC for a term of 50 years as a wholly-owned sino investment enterprise	100%	US$25,000,000	Design, manufacture, develop and sales of exterior automobile body parts
銘仕國際有限公司 (Minth International Limited) (Note ii)	Hong Kong	100%	HK$4,000,000	Import and export trading, logistics, technology import, and investment holding
寧波信虹精密機械有限公司 (Ningbo Xinhong Precious Machine Co., Ltd.) ("Ningbo Xinhong") (Note iii)	PRC for a term of 20 years as a WOFE	100%	US$1,500,000	Design and manufacture of stamping dies
嘉興信元精密模具科技有限公司 (Jiaxing Shinyou Mould Tech Co., Ltd.) ("Jiaxing Shinyou") (Note iii)	PRC for a term of 20 years as a WOFE	100%	US$5,000,000	Design and manufacture of mould
嘉興敏橋汽車零部件有限公司 (Jiaxing Minth Hashimoto Automotive Parts Co., Ltd.) ("Jiaxing Minth Hashimoto") (Note iii)	PRC for a term of 45 years as a WOFE	65%	US$8,000,000	Manufacture of automotive parts
Minth Japan 株式會社 (Minth Japan Co., Ltd.) (Note ii)	Japan	100%	JPY50,000,000	Act as an agent of sales of exterior automobile body parts and purchase of raw materials

38. Subsidiaries (continued)

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

Note ii Newly established in 2007.

Note iii Acquired in 2007, details set forth in note 32.

Note iv On 1 January 2007, the Group acquired remaining interest in Jiaxing EL Triumph from a third party, Praise Development at a consideration of US$234,700.

Note v Jiaxing Minrong was acquired by Jiaxing Minhui in 2007.

All of the above subsidiaries, except for Minth North America, Inc which is operating principally in USA and Minth Japan Co., Ltd which is operating principally in Japan, are operating principally in the PRC.

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

39. Events After the Balance Sheet Date

(a) On 7 January 2008, the Company and one of its indirect wholly-owned subsidiaries, Sinoone Holdings Limited ("Sinoone"), have completed its negotiations with Aapico Hitech Public Company Limited ("Aapico") for the establishment of the Joint Venture Company named MINTH AAPICO (Thailand) Co., Ltd. in Thailand. Further, on the same date, Sinoone and Aapico granted an option to Sojitz to subscribe or purchase 15% of the total registered capital in the Joint Venture Company. Such option is exercisable within 12 months from 7 January 2008. The Joint Venture Company will be owned as to 60% by Sinoone and 40% by Aapico; if the option is exercised by Sojitz the Joint Venture Company will be owned as to 51% by Sinoone, 34% by Aapico and 15% by Sojitz. The issued share capital of the Joint Venture Company shall be approximately RMB38,699,000.

The Joint Venture Company will be principally engaged in the design, manufacturing, marketing, and selling of rolling and extrusion automobile parts in Thailand.

(b) On 1 February 2008, one of the Company's indirect wholly-owned subsidiaries, Sinoone (HK) Limited ("Sinoone"), has completed its negotiations with DURA Automotive Handels und Beteiligungs GmbH ("DURA") for the establishment of the Joint Venture named Jiaxing Dura Minth Automotive Parts Co., Ltd. The Joint Venture Company will be owned as to 49% by Sinoone and 51% by DURA. The issued share capital of the Joint Venture Company shall be US$5,000,000. Sinoone and DURA agree that certain assets of the Group will be purchased by the Joint Venture Company.

The Joint Venture Company will be principally engaged in the manufacturing and selling of key automotive parts, automotive decorative parts and automotive moulds.

39. Events After the Balance Sheet Date (continued)

(c) On 2 February 2008, the Company and one of its indirect wholly-owned subsidiaries, Cheerplan (China) Investments Co., Ltd. ("Cheerplan"), have completed its negotiations with 香港盈鑫有限公司 ("Yingxin") for the acquisition of 40% of the issued share capital of 海門鑫海特種鍍飾有限公司 ("Xinhai") for consideration of US$200,000. Further, an option was granted to Cheerplan to purchase 15% of the issued share capital of Xinhai. Such option is exercisable within 6 months from 2 February 2008.