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)

FINANCIAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2006

FINANCIAL HIGHLIGHTS

- Turnover increased by approximately 41% to RMB956.2 million (2005: RMB678.6 million).
- Gross profit increased by approximately 38% to RMB376.4 million (2005: RMB272.0 million).
- Net profit attributable to equity holders of the Company increased by approximately 38% to RMB268.7 million (2005: RMB195.1 million).
- Earnings per share increased to RMB0.324 (2005: RMB0.315).
- Proposed final dividend of HKD0.097 per share.
- CAPEX increased by approximately 18% to RMB179.7 million (2005: RMB152.2 million).
- Consolidated net asset value increased by approximately 25% to RMB1,217.2 million from RMB972.8 million in 2005, which is due mainly to the Group's operating profits in 2006.
- Total interest-bearing debt was 38.2 million compared to 230.3 million in 2005; total interest-bearing debt to total assets and total interest-bearing debt to shareholders' equity were both decreased to approximately 3% (2005: approximately 16% and approximately 24%, respectively).

The board of directors (the "Board" or "Directors") of Minth Group Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December, 2006, together with the comparative figures for the year ended 31 December, 2005 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December, 2006

	Notes	**2006** **RMB'000**	2005 RMB'000
Turnover	3	**956,232**	678,606
Cost of sales		**(579,835)**	(406,641)
Gross profit		**376,397**	271,965
Other income		**28,440**	23,545
Distribution and selling expenses		**(31,777)**	(15,402)
Administrative expenses		**(99,163)**	(72,455)
Interest on bank borrowings wholly repayable within five years		**(2,827)**	(9,088)
Share of profits of associates		**21,167**	11,722
Share of losses of jointly controlled entities		**(2,648)**	—
Profit before taxation	4	**289,589**	210,287
Taxation		**(14,483)**	(12,179)
Profit for the year		**275,106**	198,108
Attributable to:			
Equity holders of the Company		**268,701**	195,067
Minority interests		**6,405**	3,041
		275,106	198,108
Dividends	5	**27,519**	164,903
Distribution		**—**	40,303
Earnings per share	6		
Basic		**RMB0.324**	RMB0.315

CONSOLIDATED BALANCE SHEET
At 31 December, 2006

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION

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, manufacture, process and sales of exterior automobile body parts and moulds.

The accounts have been prepared in accordance with the generally accepted accounting principles in Hong Kong and comply with the Hong Kong Financial Reporting Standards ("HKFRS") and the Hong Kong Accounting Standards ("HKAS") which are collectively referred to as the Hong Kong Financial Reporting Standards ("HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention.

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

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

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

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

1 Effective for annual periods beginning on or after 1 January, 2007

2 Effective for annual periods beginning on or after 1 January, 2009

3 Effective for annual periods beginning on or after 1 March, 2006

4 Effective for annual periods beginning on or after 1 May, 2006

5 Effective for annual periods beginning on or after 1 June, 2006

6 Effective for annual periods beginning on or after 1 November, 2006

7 Effective for annual periods beginning on or after 1 March, 2007

8 Effective for annual periods beginning on or after 1 January, 2008

3. TURNOVER AND SEGMENT INFORMATION

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

Business segments

The Group's operation was engaged in the manufacture and sales of exterior automobile body parts.

Geographical segments

Turnover breakdown by geographical markets are as follows:

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

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

4. TAXATION

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

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

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

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

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

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

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

5. DIVIDENDS

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

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

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

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

6. EARNINGS PER SHARE

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

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

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

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

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

7. TRADE AND OTHER RECEIVABLES

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

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

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

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

8. TRADE AND OTHER PAYABLES

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

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

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

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

Company Overview

Business and market network

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

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

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

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

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

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

Research and development

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

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

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

Results

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

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

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

Product sales

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

Turnover analysis by product category is as follows:

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

Note: Includes PVC, moulds, headliner and others

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

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

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

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

Overseas sales:

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

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

Gross profit

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

Distribution and selling expenses

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

Administrative expenses

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

Interest on bank borrowings

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

Taxation

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

Profit attributable to the shareholders of the Group

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

Minority interests

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

Financial data

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

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

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

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

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

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

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

Commitments

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

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

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

Interest rate and foreign exchange risks

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

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

Contingent liabilities

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

Capital expenditure

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

Employee and remuneration policies

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

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

FURTHER DEVELOPMENT

Market

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

PRC policy environment

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

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

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

Outlook

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

REVIEW OF RESULTS

The financial results for the year ended 31 December, 2006 have been reviewed with no disagreement by the audit committee of the Company.

CODE OF CORPORATE GOVERNANCE PRACTICES

During the year 2006, all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were complied with by the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BOOK CLOSURE

The register of members of the Company will be closed from Thursday, 3 May 2007 to Tuesday, 8 May 2007, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to be eligible for the abovementioned final dividends, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4.30 p.m. on Wednesday, 2 May 2007.

APPRECIATION

The Board would like to take this opportunity to express gratitude to all the shareholders and clients for their continuous support and to thank all the staff members of the Group for their dedication and contributions to the Group.

By Order of the Board
Current Tien Tzu Liang
Secretary

Hong Kong, 28 March, 2007

SCOPE OF WORK OF MESSRS, DELOITTE TOUCHE TOHMATSU

The figures in respect of the preliminary announcement of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December, 2006 have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

As at the date of this announcement, the board of directors of the Company comprises Mr. Chin Jong Hwa, Mr. Shi Jian Hui, Mr. Mu Wei Zhong, Dr. Chin Jung Huang and Mr. Zhao Feng, being executive Directors, Mr. Shaw Sun Kan, Gordon, being non-executive Director, together with three independent non-executive directors, namely, Mr. Kwoo Seng Heng, Dr. Wang Ching and Mr. Zhang Liren.

"*Please also refer to the published version of this announcement in **South China Morning Post**.*"