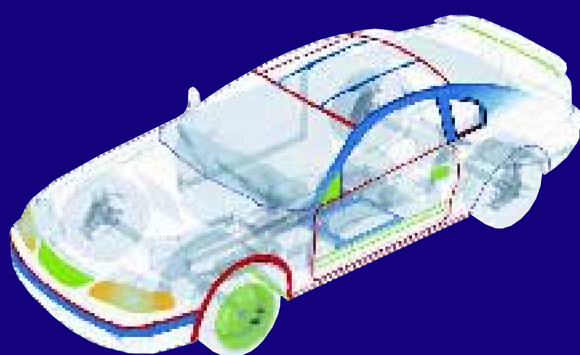
2005
Anuual Report

MINTH GROUP LIMITED
敏實集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 425



Minth Group Limited is one of the major leading suppliers of automobile exterior auto-parts in the People's Republic of China.

Listed on the Hong Kong Stock Exchange (No. 0425HK), Minth possesses one of the most prominent product research & development centers in China for automobile body structural parts, decorative parts and trims. Currently, the Group owns twelve manufacturing plants spreading all across China and a representative office in Tokyo, Japan. About 2,000 staff of the Group strive relentlessly for excellence with great passion and a sense of mission, for the betterment of the automobile parts industry of China and that of the world.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

CHIN Jong Hwa *(Chairman)*
SHI Jian Hui
MU Wei Zhong
CHIN Jung Huang
LIANG Current Tien Tzu

Non-executive Director

SHAW Sun Kan, Gordon

Independent non-executive Directors

HENG Kwoo Seng
WANG Ching
ZHANG Liren

AUDIT COMMITTEE

HENG Kwoo Seng *(Chairman)*
WANG Ching
ZHANG Liren

REMUNERATION COMMITTEE

SHAW Sun Kan, Gordon *(Chairman)*
HENG Kwoo Seng
WANG Ching
ZHANG Liren

COMPANY SECRETARY

LIANG Current Tien Tzu

REGISTERED OFFICE

Century Yard, Cricket Square
Hutchins Drive, P.O. Box 2681 GT
George Town, Grand Cayman,
British West Indies

HEAD OFFICE IN CHINA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

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

China Construction Bank
Jiaxing branch
198, ZiYang Street
Jiaxing
China

China Merchants Bank
Chongqing Jiangbei sub-branch
No.1-2, 5 Yanghe Road Jiangbei District
Chongqing
China

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

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

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

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

LEGAL ADVISERS TO THE COMPANY

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

As to PRC Law
Commerce & Finance Law Office
6/F, NCI Tower, A12 Jian Guo Men Wai Avenue
Beijing
China

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

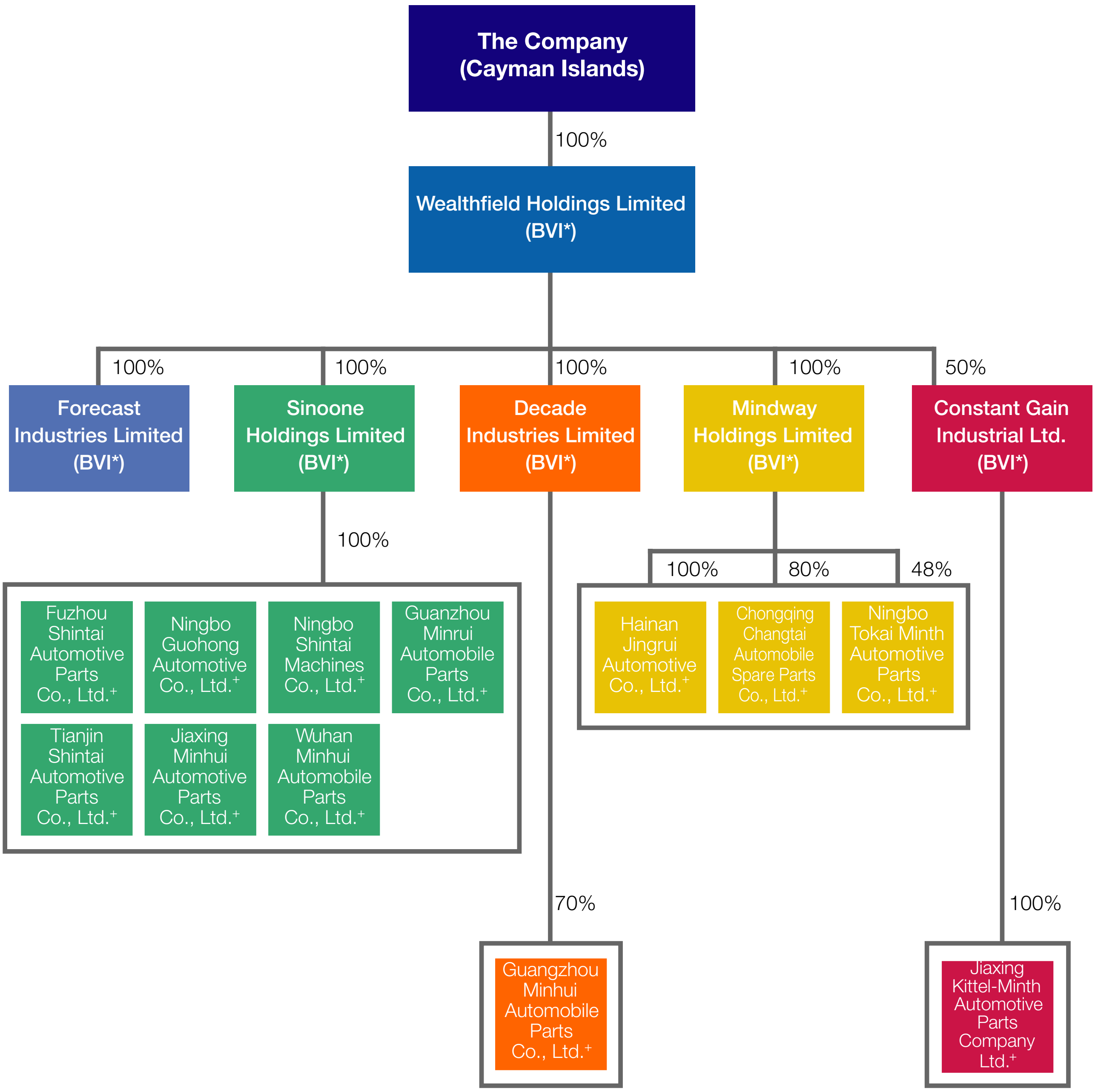
COMPLIANCE ADVISER

Cazenove Asia Limited
5001 One Exchange Square
8 Connaught Place, Central
Hong Kong

STOCK CODE

SEHK Code: 0425

Group Structure



* the British Virgin Islands
\+ Registered in the People's Republic of China

Financial Highlights

For the year ended December 31	**2005**	2004	**Increase**
	(RMB'000)	*(RMB'000)*	*(%)*
Turnover	**678,606**	464,178	46.2
Gross Profit	**271,965**	186,538	45.8
Net Profit attributable to equity holders of the Company	**195,067**	123,091	58.5
Cash flow from Operations	**231,882**	47,665	386.5
CAPEX	**152,218**	99,370	53.2
Common shares outstanding, at December 31	**830,000,000**	600,000,000	38.3
Employees, at December 31	**1,841**	1,264	45.6
Key Financial Ratios:			
Current ratio	**2.7**	1.1	
Gearing ratio	**16.4%**	17.5%	
Inventories turnover days	**94**	104	
Receivables turnover days	**80**	93	
Payables turnover days	**77**	106	
Earnings per share – basic	**RMB0.315**	RMB0.205	53.7

Financial Summary

	For the year ended 31st December			
	2005	2004	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Result				
Turnover	**678,606**	464,178	298,776	311,761
Profit before taxation	**210,287**	151,099	105,279	85,245
Taxation (charge) credit	**(12,179)**	(6,251)	(3,282)	(6,108)
Profit for the year	**198,108**	144,758	101,997	79,137
Attributable to:				
Equity holder of the company	**195,067**	123,091	98,741	79,655
Minority interests	**3,041**	21,667	3,256	(518)
	198,108	144,758	101,997	79,137

	As at 31st December			
	2005	2004	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Assets and Liabilities				
Total assets	**1,407,136**	834,934	686,983	406,909
Total liabilities	**(434,342)**	(404,118)	(376,723)	(195,200)
Minority interests	**(25,169)**	(40,062)	(12,582)	(8,084)
Shareholders' equity	**947,625**	390,754	297,678	203,625

Chairman's Statement

On behalf of the board of directors (the "Board"), I am pleased to announce to all our shareholders ("Shareholders") that Minth Group Limited (hereafter referred to as Minth) achieved excellent results in this first year after listing ("Listing") of shares ("Shares") on the main board of the Stock Exchange of Hong Kong Limited ("Stock Exchange") on 1 December, 2005. I would attribute this year's success to: our foresight in marketing and other strategies, prudent management skills of the senior executives and the great support and trust given by the Shareholders and business partners.

FINANCIAL PERFORMANCE

Minth continued to grow rapidly in 2005, turnover amounted to RMB678,606,000, representing a growth of 46.2% from RMB464,178,000 in 2004.

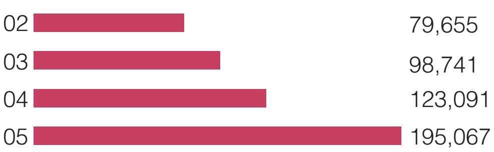
Gross profit also increased by 45.8% from RMB186,538,000 in 2004 to RMB271,965,000 in 2005. Profit margin remained fairly stable at 40.1%.

Net profit attributable to the Shareholders amounted to RMB195,067,000, representing a growth of 58.5% from 2004.

Turnover ('000 RMB)

Earnings per Share (RMB)

Net profit attributable to shareholders of the Company ('000 RMB)



REVIEW ON OPERATIONS

Earnings exceeded expectations

Over the past year, in line with the expected growth of the Chinese auto industry, Minth also further strengthened its market share, product qualities and reputation within its key product categories. As a result, Minth achieved better performance than it was disclosed in the profit forecast in the prospectus of Minth dated 22 November 2005.

Consolidation in the China's market

Minth established another wholly-owned subsidiary in Wuhan in the past year and used part of the proceeds from the IPO to accelerate the implementation of its business plan, including further investments in existing production facilities in several subsidiaries, i.e. Jiaxing Minhui (Jiaxiang Minhui Auto Parts Co Ltd), Guangzhou Minhui (Guangzhou Minhui Auto Parts Co Ltd) and Fuzhou Xintai (Fuzhou Xintai Auto Parts Co Ltd). Minth has also maintained close relationships with other Chinese automakers which are not clients yet. I believe this will place Minth in a strong position as the Chinese domestic market continues to undergo a process of rationalization and consolidation.

Penetration of overseas markets

In the past year, Minth began a joint venture with Sankei Giken Holding (a Japanese company) in Guangzhou, and a joint-controlled plant with Carl Kittel Autoteile GmbH (a German company) in Jiaxing. It also established a representative office in Tokyo to handle more commercial trades and strengthened its position in the global procurement systems of GM and Ford. While fulfilling the requirements of China based clients, Minth actively pursued new markets in Europe, North America, Australia and Japan.

Improvements in technological capabilities, particularly on R&D of new products

Minth continued to strengthen its research and development ("R&D") with con-current design capabilities. While improving its production process management by optimizing the organizational structure of its technology center, Minth stepped up more activities on the evaluation and R&D of new product types, new materials and new craftsmanship in its core product categories. Over time, Minth will continue to expand and extend its product lines and offer more value-added new products and new product types.

Open communication channels with investors

Since Minth's Listing, Minth set up a new department that is dedicated for open communication channels with Hong Kong and international investors, so as to ensure that investors receive timely and accurate information on the latest developments of Minth.

Future prospect

The Chinese passenger car market recovered from moderate growth in 2004 and rapid growth in 2005 with approximately 19% increase in production and approximately 21% increase in sales over last year. In the future, although there may still be fluctuations in governmental and industrial policies and consumption patterns, the overall growth momentum will remain strong in China. It is also generally believed that China will remain the world's fastest growth automobile market for the next ten years.

Leveraging on our market position and choiced clients, Minth's profitability will continue to outperform the industry average for the next few years. In the coming years, Minth will establish and maintain close contacts with certain Chinese automakers that are not currently clients with an aim to establish future business relationships. A move to ensure Minth will secure more premium clients at an more opportune time.

In the future, Minth will continue to utilize China's low production costs and our own high quality standards and leadership position in the industry, to transform certain subsidiaries with logistic advantages into export manufacturing bases. Minth will also further establish representative offices and production facilities in key Chinese and international centers, to provide excellent client interface points with full integration of all our resources in sales, marketing, services and management capabilities. In so doing, we aim to increase our exports to the Australian, European, North American, Japan and Southeast Asian markets.

In line with industrial and market trends as well as the developments of our target clients, Minth will actively monitor for potential merger and acquisition opportunities that could potentially maximize shareholder values and improve our overall competitiveness.

Moving forward, I believe by integrating our comprehensive capabilities and technical know-how in developing and manufacturing a wide range of automotive parts and while continuously improving our overall management system, Minth will further distinguish itself from the competition. Minth will continue to strive as an enterprise that focuses on designs and manufacturing of exterior automotive parts for a diversified clientele. One that provides an integrated and full range solutions to the industry.

ACKNOWLEDGMENT

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

Chin Jong Hwa
Chairman

10 April 2006

Management Discussion and Analysis

INDUSTRY OVERVIEW

During the financial year under review, Minth and its subsidiaries (hereinafter collectively referred to as the "Group") continued to focus on the design, manufacture and sales of trim, decorative parts and body structural parts for the auto-parts industry in the PRC. The Chinese passenger car market recovered and grew rapidly in 2005, with approximately 19% increase in production and approximately 21% increase in sales over last year.

With the rapid industry growth, increased competition and the fluctuation in steel supply, the capabilities of technology, quality and cost control have become all the more important in the auto-parts industry.

During the financial year under review, the Group was able to consolidate its strong position in the market by strengthening its customer selection, research and development, centralized procurement, interactive approach with its suppliers, stringent production management and system standards.

RESULTS

For the financial year ended 31 December 2005, the Group achieved a total turnover of RMB678,606,000, representing a growth of approximately 46.2% as compared to RMB464,178,000 in 2004. The turnover for trims, decorative parts and body structural parts were RMB158,464,000, RMB157,691,000 and RMB286,271,000 respectively, representing approximately 23.3%, 23.2% and 42.2% of the total turnover. There was a significant growth in the body structural part and decorative product categories. The profit attributable to equity holders of the Company was RMB195,067,000, a surge of approximately 58.5% from 2004. The gross margin was approximately 40.1%, similar to the one in 2004. The negative effects of falling prices were offset by the localization of raw materials purchases and the launching of new products.

PRODUCT SALES

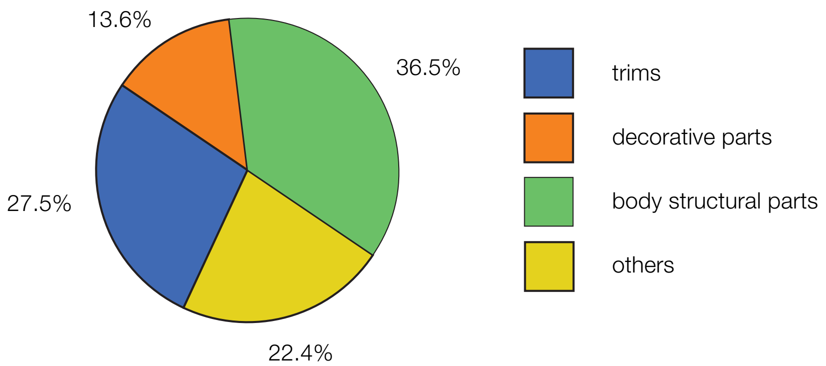
In 2005, the Group continued to focus on its three main product categories and supply to the top 6+3 global auto makers. Most of the Group's sales were generated in the PRC. The Group's export ratio increased from 5.0% in 2004 to 8.9% in 2005.

Turnover analysis by product category

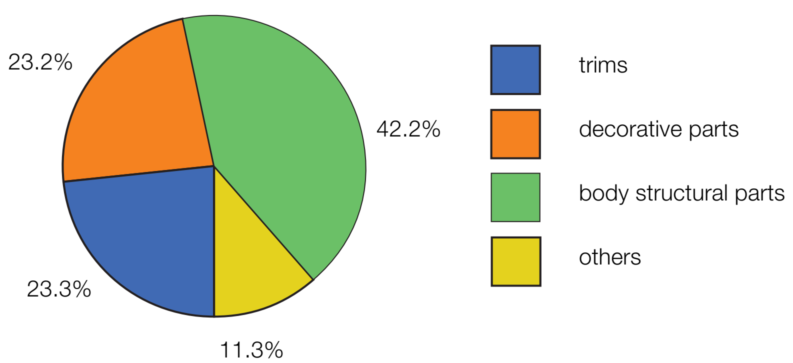
	2003		2004		2005	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Product category						
Trims	82,069	27.5	127,500	27.5	158,464	23.3
Decorative parts	49,266	16.5	63,119	13.6	157,691	23.2
Body structural parts	57,056	19.1	169,529	36.5	286,271	42.2
Others (NB)	110,442	36.9	104,199	22.4	76,411	11.3
Total	298,833	100	464,347	100	678,837	100
Less: Sales tax	(57)		(169)		(231)	
Total Turnover	298,776		464,178		678,606	

Note: Includes PVC, moulds, headliner and others.

2004



2005



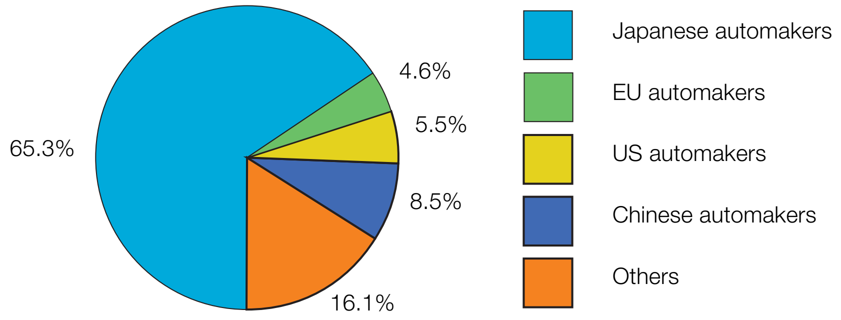
Turnover by customer group

	2003		2004		2005	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Customer group						
Japanese automakers	125,989	42.2	303,100	65.3	463,782	68.3
EU automakers	12,181	4.1	21,479	4.6	66,152	9.7
US automakers	14,792	4.9	25,722	5.5	60,546	8.9
Chinese automakers	41,117	13.8	39,477	8.5	56,892	8.4
Others *(Note 1)*	104,754	35	74,569	16.1	31,465	4.7
Total	298,833	100	464,347	100	678,837	100
Less: Sales tax	(57)		(169)		(231)	
Total turnover *(Note 2)*	298,776		464,178		678,606	

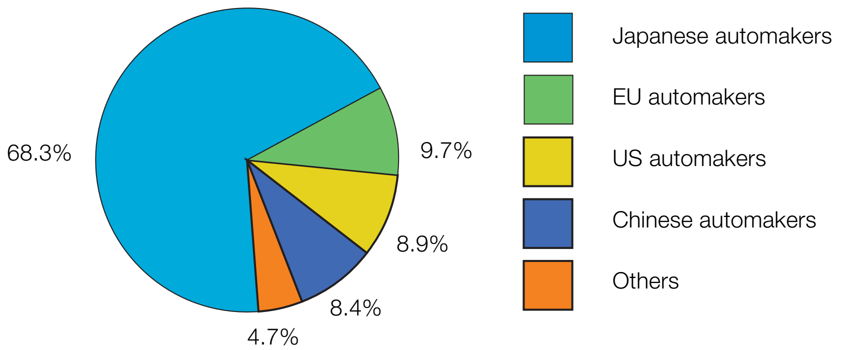
Note 1: Apart from automakers, the Group also serves other auto-parts producers and trading companies. These may include joint ventures set up by multinational automakers in China.

Note 2: The total turnover includes export of RMB10,148,000, RMB23,134,000 and RMB60,750,000 in 2003, 2004 and 2005 respectively.

2004



2005



The Group has continued to expand the production of its key product categories. In 2005, the three main product categories achieved a turnover of RMB602,426,000, or approximately 88.7% of the total turnover, representing a growth of approximately 11.1% over 77.6% in 2004.

In 2005, Japanese automakers accounted for a turnover of RMB463,782,000 or approximately 68.3% of the total turnover, representing a growth of approximately 3.0% as compared to the figure in 2004. European automakers accounted for a turnover of RMB66,152,000 or approximately 9.7% of the total turnover with a growth of approximately 5.1% as compared to the figure in 2004. US automakers accounted for a turnover of RMB60,546,000 or approximately 8.9% of the total turnover and representing a growth of approximately 3.4% as compared to the figure in 2004.

COST OF GOODS SOLD

Cost of goods sold in 2005 totaled RMB406,641,000 (2004: RMB277,640,000). Direct materials, direct labor and overhead accounted for approximately 68.2% (2004: 70.2%), 4.5% (2004: 5.3%) and 27.3% (2004: 24.5%), respectively, of the total cost of goods sold in 2005.

GROSS PROFIT

The gross profit for the financial year ended 31 December 2005 amounted to RMB271,965,000, representing a growth of approximately 45.8% as compared to the gross profit of RMB186,538,000 in 2004. The gross margin remained stable, dropping slightly from approximately 40.2% in 2004 to approximately 40.1% in 2005. The gross profit margin remained fairly stable because the negative effects of falling prices were offset by localizing raw materials purchases and the launching of new products.

OTHER INCOME

Other income amounted to RMB23,545,000 in 2005, up approximately 11.4% from RMB21,142,000 million in 2004.

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses amounted to RMB15,402,000 in 2005, an increase of approximately 98.2% from RMB7,771,000 in 2004. This was attributed to increases in export sales which required correspondingly more logistics expenses and efforts in developing new markets, especially those in the overseas, as well as the increase in the number of staff, wages and travel expenditure.

ADMINISTRATIVE EXPENSES

Administrative expenses amounted to RMB72,455,000 in 2005, an increase of RMB25,622,000 from RMB46,793,000 in 2004. This was attributed to the expanded scale of the Group's operations, the increase in the number of administrative staff, improvement on welfare and benefits and listing expenses.

INTEREST ON BANK BORROWINGS

The Group's interest on bank borrowings for 2005 was approximately RMB9,088,000, an increase of RMB6,981,000 from RMB2,107,000 in 2004. This was mainly due to an increase in the Group's bank loan balance.

TAXATION

For the financial year ended 31 December, 2005, the Group's taxation was approximately RMB12,179,000 (2004: RMB6,251,000), with an effective tax rate of approximately 5.8% (2004: 4.1%). This represented an increase of approximately 94.8%. The increase was mainly due to an increase in the Group's profits and expiry of tax-free period for Guangzhou Minhui.

PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

Profit attributable to the shareholders of the Company for 2005 was about RMB195,067,000, an increase of approximately 58.5%, as compared to RMB123,091,000 in 2004. The net profit margin was approximately 28.7%, an increase of approximately 2.2% from 26.5% in 2004.

MINORITY INTERESTS

The Group's minority interests for 2005 amounted to about RMB3,041,000, a decrease of 86% from RMB21,667,000 in 2004. The main reason is that the Group reached an agreement with a subsidiary minority shareholder that the Group paid a fixed sum to the minority shareholder in exchange for all dividends it is entitled for four years ending 31 December 2008.

DIVIDENDS

Dividends declared by the Group was RMB164,903,000 for 2005 and RMB109,562,000 for 2004 respectively, representing an increase of 50.5%. A final dividend of HK$0.033 per ordinary share of the Company is recommended, amounting to HK$27,390,000.

FINANCIAL DATA

For the financial year ended 31 December 2005, cash and bank balance increased from RMB86,380,000 to RMB465,540,000. Such increase was mainly attributable to the proceeds from the Company's listing and operational results for 2005.

The Group's gearing ratio reduced to 16.4% in 2005 from 17.5% in 2004.

During the financial year under review, the current ratio also increased from 1.1 to 2.7.

Inventories turnover days reduced to 94 days in 2005 from 104 days in 2004, mainly due to the Group's improved inventory control.

Due to the Group's increased control on accounts receivable, receivables turnover days reduced from 93 days in 2004 to 80 days in 2005.

Payables turnover days reduced to 77 days in 2005 from 106 days in 2004, which mainly resulted from the Group's efforts on sourcing of new suppliers in order to reduce purchase cost. The new suppliers requested relatively shorter credit period because of the new relationships. On the other hand, many current suppliers requested for price increase due to the increase in raw material cost. The Group refused to increase its purchase costs but agreed to shorten the credit period in order to obtain better terms with its current suppliers.

On the whole, the Group closely supervised liquidity with a view to maintaining a well-balanced capital structure.

CAPITAL COMMITMENTS

As at 31 December 2005, the Group had the following commitments:

	(RMB'000)
Operating lease arrangements	1,997
Capital commitments	50,320

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 recognized as the Company's assets as at the end of the financial year 31 December 2005.

INTEREST RATE AND FOREIGN EXCHANGE RISKS

Majority of the Group's sales and procurements are calculated in Renminbi ("RMB"). In order to mitigate the foreign currency risk, management will closely monitor such risks and consider hedging significant foreign currency exposure should the need arises.

As of 31 December 2005, the Group's bank loan balance was about RMB230,252,000, of which about RMB149,452,000 was denominated in U.S. dollars with floating interest rate. The exchange rate fluctuation of U.S. dollars relative to RMB represents a foreign exchange risk.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2005.

CAPITAL EXPENDITURE

During the year ended 31 December 2005, the Group's investment in property, plant and equipment, construction in progress and land use rights amounted to RMB152,218,000, an increase of 53.2% from RMB99,374,000 of 2004. These capital investments were attributed to the expansion of its production facilities in order to meet increasing demands from customers.

NET PROCEEDS FROM INITIAL PUBLIC OFFERING

Net proceeds from the Initial public offering were approximately RMB508,007,000. As the Company was listed on the Hong Kong Stock Exchange on 1 December 2005, the Group has not utilised much of the proceeds from the initial public offering. Substantially all of the proceeds have been placed in the Company's bank accounts in Hong Kong and mainland China; except for a small portion that has been used for working capital in expanding operations scale and capital expenditure.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December, 2005, the Group had 1,841 employees, an increase of 577 from 2004. Total employee cost in 2005 accounted for 10% (8% in 2004) of the Group' total turnover.

The Group provides employees with such welfare as medical treatment insurance and pension according to the continuous and stable human resources administration policy.

SHARE OPTION SCHEME

The Group adopted a Share Option Scheme, the purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentive of rewards for their contributions to the Group. Please refer to page 26 for details

FUTURE DEVELOPMENT

Market

Although there was a slight decrease in the growth of the Chinese automotive industry in 2004, the industry recovered and had a rapid growth both in output and sales in 2005. It is anticipated that in the next ten years, the Chinese automotive industry will remain the world's fastest growing market. Although there might be short-term market fluctuations or fluctuations in certain sectors, the overall growth momentum is expected to remain strong. The Group will continue to identify clients with growth potentials. In order to meet the needs of clients, the Group will expand its production facilities and also invest in new facilities in line with the growth of clients. This will help to raise the Group's competitiveness, while minimizing risks as much as possible. As such, the Group will grow together with its clients. In addition, the Group will establish and maintain close contact with Chinese automakers that are not currently clients and conduct systematic and thorough business assessment for future businesses at an more opportune time.

In the coming years, the Group will expand its export operations by establishing offices, research and development centers and production facilities in key overseas markets. The Group also aims to establish its manufacturing bases for export. With the close relationships established with Sankei Giken Kogyo Co. Ltd. of Japan and Carl Kittel Autoteile GmbH of Germany in 2005, as well as other technological and business alliances that the Group has formed, the Group will strive to explore the markets in North America, Europe, Australia, Japan and Southeast Asia.

Suppliers

The Group will continue to pursue centralized procurement approach and work with key suppliers and process contractors . The assessment of supplier's management system and cost control will be strengthened, and the relationship with the suppliers will be consolidated to improve the quality and price stability of raw materials and semi-finished products.

Research and Development

The Group will expand its existing R&D and product design departments in 2006. In managing the allocation of internal resources of new product categories, new process technologies and new materials, the Group will continue to strengthen its capabilities and experiences of simultaneous engineering and also accumulate its technical know-how of new process technologies including anodizing and new materials. By building on its current technological base, the Group will be in a position to expand its product category, so as to consolidate its core competency.

Enterprise Resource Planning (ERP)

Based on its past experience, the Group will continue to proceed with its ERP implementation in all its subsidiaries. This will help to streamline the management and operations of the Group by implementing more precise financial management in day-to-day operations, and improve the centralized management system for more efficient resource allocation.

Directors and Senior Management

Executive Directors

Chin Jong Hwa (秦榮華), aged 48, is Chairman and an executive Director. He founded the Group in March 1997 and is the controlling shareholder of the Company. Mr. Chin graduated from the Taiwan-China College of Urban Administration Department of Management Studies. He has over 20 years of management experience in the autoparts industry and has been leading the management team since the founding of the Group. Mr. Chin has also worked in various other organisations, including being a member of the Ningbo People's Political Consultative Conference since 2003, vice-chairman of Ningbo Association of Enterprises with Foreign Investments, and a director of the Ningbo Vocational Technical College. Mr. Chin was awarded the title of Ningbo Honorary Citizenship in 1999. He was appointed as a Director on 29 June, 2005.

Shi Jian Hui (石建輝), aged 34, is Chief Executive Officer (CEO) and an executive Director. Mr. Shi graduated from Zhejiang University of Technology where he majored in the design and manufacturing of machines. He has over 13 years of experience in the Chinese autoparts 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 overseeing both overseas and Chinese business departments), head of the Technology and R&D Centre and was in charge of human resources departments for the Group as a whole. Currently, he is enrolled in an EMBA program offered by the Cheung Kong School of Business. Mr. Shi joined the Group in March 1997 and was appointed as a Director on 14 July, 2005.

Mu Wei Zhong (穆偉忠), aged 41, is Vice-President and an executive Director. Mr. Mu has over 20 years engineering experience. Prior to joining one of Mr. Chin's companies in 1993, he worked at a 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 previously worked successively as an employee in the production management team, a business manager, a deputy branch manager, a financial controller and branch general manager of various members of the Group. Mr. Mu graduated from the Wuhan University of Water Transportation Engineering with a degree in vessel design and manufacturing. He is also currently enrolled in an EMBA program offered by the School of Management, Fudan University. Mr. Mu joined the Group in March 1997 and was appointed as a Director on 14 July, 2005.

Liang Current Tien Tzu (梁天柱), aged 49, is the Chief Financial Officer (CFO) and an Executive Director. Mr. Liang has over 20 years of experience having held senior positions in finance accounting various Hong Kong listed companies, including a vice president of the Corporate Development and Finance Department of China Motion Telecom International Limited, CFO of New World Services Co. Ltd. and Chief Internal Auditor of New World Development Limited of Hong Kong and Shui On Properties Limited of Shanghai. Mr. Liang holds a Bachelor of Commerce degree from Concordia University in Canada. He was an investment adviser registered with the Hong Kong Securities and Futures Commission, a Canadian Chartered Accountant and a Fellow member of the Hong Kong Institute of Certified Public Accountants. He joined the Group in August 2005 and was appointed as a Director on 22 October, 2005.

Chin Jung Huang (秦榮煌), aged 39 is an executive Director and general manager of Jiaxing Minhui, one of the Group's Chinese subsidiaries in Jiaxing, China. Prior to joining the Group in 2001, Dr. Chin was a manager of a US-Taiwan joint venture company located in Taiwan from 1997 to 2001. Since joining the Group, he was general manager of the Technical Centre in Ningbo before assuming his current responsibilities as general manager of Jiaxing Minhui. Dr. Chin obtained his PhD. from ChingHua University in Taiwan in 1997, majoring in materials science and he also holds a Doctor's degree in material science and engineering in National Tsing Hua University in Taiwan. He is Mr. Chin's cousin and was appointed as an executive Director on 14 July 2005.

Non-executive Directors

Shaw Sun Kan, Gordon (蕭宇成), aged 41, is a non-executive Director. Mr. Shaw has over 12 years of private equity experiences. 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 a director of DVN (Holdings) Limited – both companies listed on the Stock Exchange. He is also a corporate representative on the board of Depo Auto-Parts Industrial Co., Ltd. ("Depo"), a company listed on the Taiwan Stock Exchange. Depo produces auto lamps which the Group does not produce. In addition, the Group focuses on automakers while Depo deals with replacements or upgrades in the after-sales market. Consequently, the Group and Depo do not compete. Mr. Shaw is a Fellow of Life Office Management Association (LOMA) and a type 4 security adviser registered with the SFC. He holds a Bachelor of Science degree in Electrical Engineering from Massachusetts Institute of Technology, and a degree in Master of Business Administration from the Columbia University. Mr. Shaw was nominated by Baring Private Equity Asia to represent it as one of the substantial shareholders of the Company. He joined the Group as a Director on 15 July 2005.

Independent Non-executive Directors

Heng Kwoo Seng (邢詒春), aged 58, is an independent non-executive Director. He is the managing partner of Morison Heng, Certified Public Accountants in Hong Kong. He is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Institute of Certified Public Accountants. He has worked with a number of companies listed on the Stock Exchange either in the capacity of company secretary or as an independent non-executive director. He is currently an independent non-executive director of China Fire Safety Enterprise Group Holdings Limited, Lee and Man Holding Limited, Lee & Man Paper Manufacturing Limited, Soundwill Holdings Limited, SIM Technology Group Ltd., Tack Fat Group International Limited, and Winfair Investment Company Ltd., all of which are companies listed on the Stock Exchange. Mr. Heng is also the company secretary of AEON Stores (Hong Kong) Co., Limited and China Life Insurance Company Limited. He joined the Company as an independent non-executive Director on 26 October 2005.

Wang Ching (王京), aged 50, is an independent non-executive Director of the Company. He has over 14 years of experience in the securities and corporate finance industries. He was previously a Senior Executive Vice President and Chief Executive of Investment and Proprietary Trading Group, of Jih Sun Financial Holding Co. Ltd. of Taiwan. He also assumed senior positions for several financial institutions such as SINOPAC Securities (Asia) Ltd., Hong Kong. JS Cresvale Securities International Ltd., Hong Kong, Standard Chartered Bank, Hong Kong and Bear Sterns Co. Inc., New York. He holds a Master of Business Administration from the College of Business Administration, University of Houston, and a doctorate degree in Philosophy from the Graduate School of Arts and Sciences, Columbia University. He joined the Company as an independent non-executive Director on 26 October 2005.

Zhang Liren (張立人), aged 59, is an independent non-executive Director. He has over 38 years in the automobile, electronic and mechanical industry. He is an Executive Director of Shanghai General Motors Corporation Limited specialising in the area of vehicle lines for W-Platform. In the past he was the Director of Business Planning & Development and senior manager of the quality control department in Shanghai General Motors Corporation Limited. He has also been the deputy chief engineer of Shanghai Auto Industry Technology Centre and a research officer in the Computer and Equipment Department in Shanghai Auto Research Institute. He joined the Company as an independent non-executive Director on 26 October 2005.

Senior Management

Zhao Feng (趙鋒), aged 37, is the general manager with overall responsibility for the Group's sales. Mr. Zhao had over 10 years of business management experience. Prior to joining the Group in 1999, Mr. Zhao was a technology supervisor, a procurement officer and an assistant general manager for another Chinese manufacturer. Since joining the Group, Mr. Zhao has worked successively as a procurement officer, a business department manager and deputy general manager of business operations.

Soo Cheng-Yu (蘇正宇), aged 54, is the general manager of Guangzhou Minhui and Guangzhou Minrui, being the Group's Chinese subsidiaries in Guangzhou, China. He has over 27 years in the procurement, car manufacturing and related auto-parts businesses. Prior to joining the Group in March 2004, Mr. Soo was section chief in a car assembly plant, factory manager of an auto-parts manufacturer, in charge of procurement and as a technical assistant in other Chinese manufacturers and vice-president of a Taiwanese auto-parts manufacturer.

Luo Ning (駱凝), aged 37, is in charge of the Group's purchasing centre. Ms. Luo joined one of Mr. Chin's companies in 1993 as secretary to the general manager and thereafter worked successively as manager and assistant to the general manager of two companies which were predecessors of the Group. Ms. Luo has over 8 years of purchase management experience.

Yue Yueping (俞岳平), aged 47, is in charge of the R&D department and graduated from Zhejiang University with a major in precision machinery. He also holds a master degree offered by No. 1 Research Institute of the Aerospace Department. Prior to joining the Group in 1999, he was chairman of the Mechanical Engineering Department, Ningbo University. He has also been the deputy general manager and general engineer of another Chinese manufacturer.

Hsieh Cheng-Hsien (謝政憲), aged 39, is the R&D general manager with responsibility for the Group's technical centre. He joined the Group in May 2004. Prior to joining the Group, he spent 10 years at the Taiwan State Produced Vehicle Centre with responsibilities for supplier management and product development, 2 years with General Motors in Taiwan with responsibility for global purchasing and two years at Brilliance China Automotive Holdings Limited with responsibility for purchasing/SQDE (Supplier Quality & Development Engineering) system and planning.

Bao Jianya (包建亞), aged 34, is the financial controller of the Group. Ms. Bao graduated from Shanghai University of Finance & Economics in 1993 where she majored in international accounting. She has over 12 years of experience in accounting and financial management. Prior to joining the Group in March 2005, she was the financial controller of another Chinese manufacturer.

Xiang Yang (向陽), aged 37, is the general manager of Chongqing Changtai, one of the Group's Chinese subsidiaries. Prior to joining the Group in 1995, Mr. Xiang was working in the Thermo Design Office of Chongqing Central Iron and Steel Designing Institute. He then joined the Group and successively progressed from a development engineer to manager of administration department and then to business department manager.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

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

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

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. The CEO is responsible for managing the operation of the Group's businesses, proposing strategies to the Board and the effective implementation of the strategies and policies adopted by the Board.

THE BOARD

As of 31 December 2005, there were nine members on the Board, which are the Chairman, the CEO, three other Executive Directors, one non-executive Director ("NED") and three independent non-executive directors ("INEDs").

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

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

The Board met regularly during the year and on ad hoc basis as required by business needs. The Board's primary purpose is to set and review the overall strategic development of the Group and to oversee the achievement of the plans to enhance Shareholders' value. Daily operational decisions are delegated to the Executive Directors. Since the incorporation of the Company on 22 June 2005, the Board met two times during the year and the Directors' attendance is shown in the table on page 21. Each of the Directors is appointed by the Board during the year. The term of appointment of Shaw Sun Kan Gordon is two years.

Each of the Directors offer himself for re-election in the forthcomintg annual general meeting.

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

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

AUDIT COMMITTEE

The Group has established an Audit Committee with written terms of reference as suggested under the Code of Best Practice set out in Appendix 14 of the Listing Rules and adopted with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants. The Audit Committee comprises Heng Kwoo Seng, Wang Ching and Zhang Lienren, 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 was established in November 2005 and has not held any meeting during the year.

AUDIT COMMITTEE *(Continued)*

The main duties of the Audit Committee are as follows:–

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

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

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

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

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

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

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

The Audit Committee reviewed the financial statements of the Group for the year ended 31 December 2005 prior to recommending the financial statements to the Board for approval.

REMUNERATION COMMITTEE

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

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

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

(iii) to manage and determine the Groups Share Option Scheme.

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

Details of the amount of Directors emoluments are set out in note 7 to the accounts and details of the 2005 share option scheme are set out in on page 26.

NOMINATION OF DIRECTORS

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

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

	Board
Number of Meeting	2
Exeutive directors	
Chin, Jong-Hwa (Chairman)	2
Shi, Jian-Hui (CEO)	2
Mu, Wei-Zhong	2
Liang, Current Tien Tzu	1
Chin, Jung-Huang	2
Non-executive director	
Shaw Sun kan, Gordon	2
Independent Non-executive director	
Heng, Kwoo-Seng	1
Wang, Ching	1
Zhang, Lien-ren	1

LOOKING FORWARD

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

INDEPENDENCE INFORMATION

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices ("Corporate Governance Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year 2005.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

AUDITORS' REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group is required to pay an aggregate of approximately HK$4.32 million to the external auditors for their services including audit and non-audit services.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 33.

Directors' Report

The Board present their annual report and the audited financial statements of the Group for the year ended 31 December, 2005.

GROUP REORGANISATION

Minth was incorporated on 22 June, 2005 as an exempted company with limited liability in Cayman Islands.

Pursuant to a reorganisation scheme as disclosed in the prospectus of Minth dated 22 November, 2005 (the "**Prospectus**"), to rationalise the structure of the Group in preparation for the listing of Minth's shares on the Stock Exchange of Hong Kong Limited, Minth became the holding company of the companies now comprising the Group on 30 June, 2005 (the "**Reorganisation**").

Details of the Reorganisation are set out in note 1 to the financial statements.

The shares of Minth were listed on the Stock Exchange with effect from 1 December, 2005 (the "Listing Date").

PRINCIPAL ACTIVITIES

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

The principal activities of its subsidiaries, associate and jointly controlled entities are set out in notes 32, 15 and 14 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December, 2005 are set out in the consolidated income statement on page 34.

An interim dividend prior to Minth being listed, amounting to approximately RMB49,988,000, was paid to the shareholders during the year. The directors recommend the payment of a final dividend of HK$0.033 per share to the shareholders on the register of members on April 28, 2006, amounting to HK$27,390,000.

TRADING RESULT AND PUBLISHED FORECAST

The Group's consolidated profit of RMB195.1 million, slightly over the profit forecast in Minth's prospectus dated 22nd November, 2005. The result is principally attributable to the Company reduced raw material purchase costs through switching from imports to more locally produced materials. It resulted in slightly higher gross margin than originally forecasted.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred RMB158.6 million in the acquisition of property, plant and equipment which mainly comprised of building and plant and machinery. Details of these and other movements in property, plant and equipment of the Group are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of Minth since its incorporation on 22 June, 2005 are set out in note 26 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Pursuant to the placing underwriting agreement dated 28 November, 2005, Minth granted an option (the "**Over-allotment Option**") to the placing underwriters exercisable by Cazenove Asia Limited, to require Minth to allot and issue up to an aggregate of 30,000,000 additional Shares to cover over-allocation in the international placing. The exercise price per Share for the Over-allotment Option is HK$2.25. On 12 December, 2005, the Over-allotment Option was fully exercised and, as a result, Minth issued 30,000,000 additional Shares.

Save as disclosed above, since the listing of the Shares on the Stock Exchange on the Listing Date and up to the date of this report, neither Minth nor any of its subsidiaries purchased, sold or redeemed any of Minth's listed securities.

RESERVES

Movements in the reserves of the Group and Minth during the year are set out on page 37 of the annual report.

Minth's reserves available for distribution represent the share premium, contributed surplus and profit which in aggregate amounted to RMB806 million as at 31 December, 2005. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of Minth 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 Minth is able to pay its debts as they fall due in the ordinary course of business. In accordance with Minth's Article of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of Minth.

FINANCIAL SUMMARY

A summary of the results of the assets and liabilities of the Group for the last four financial years is set out on page 6.

USE OF PROCEEDS

Minth had issued an aggregate of 230,000,000 new Shares by way of public offer and placing for subscription at a price of HK$2.25 per Share in December, 2005. The net proceeds (after issue expenses) amounted to approximately HK$488 million. As of 31 December, 2005, the net proceeds were used, as stated in the Prospectus, for general working capital purposes and improvement of business operations.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December, 2005, the largest customer accounted for approximately 26.6% of the Group's revenue, and the five largest customers accounted for approximately 58.5% of the Group's revenue.

The purchases for the year ended 31 December, 2005 attributable to the Group's largest supplier and five largest suppliers were approximately 6.1% and 24.0% 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 Minth's share capital), has any interests in the Group's five largest suppliers and/or customers for the year ended 31 December, 2005.

DIRECTORS

The directors of Minth during the year and up to the date of this report were:

Executive directors:

Chin Jong Hwa	(appointed on 14 July, 2005)
Chin Jung Huang	(appointed on 14 July, 2005)
Liang Tien Tzu Current	(appointed on 22 October, 2005)
Mu Wei Zhong	(appointed on 14 July, 2005)
Shi Jian Hui	(appointed on 14 July, 2005)

Non-executive director:

Shaw Sun Kan Gordon	(appointed on 15 July, 2005)

Independent non-executive directors:

Heng Kwoo Seng	(appointed on 26 October, 2005)
Wang Ching	(appointed on 26 October, 2005)
Zhang Liren	(appointed on 26 October, 2005)

In accordance with Article 86 of Minth's Articles of Association, Chin Jong Hwa, Shi Jian Hui, Mu Wei Zhong, Chin Jung Huang, Liang Current Tien Tzu, Shaw Sun Kan, Gordon, Heng Kwoo Seng, Wang Ching and Zhang Liren will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of Chin Jong Hwa, Shi Jian Hui, Mu Wei Zhong, Chin Jung Huang and Liang Current Tien Tzu, being the executive Directors, has entered into a service contract with Minth for an initial fixed term of three years commencing on the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party.

Save as disclosed above, none of the Directors has entered into a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management are set out on pages 16 to 18.

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

At 31 December, 2005, the interests and short positions] of the directors and the chief executives in the Shares, underlying shares and debentures of Minth 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 Minth pursuant to Section 352 of the SFO, or which would have to be notified to Minth 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:

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

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

Other than as disclosed above, as at 31 December, 2005, none of the directors, chief executives and their associates has any interests or short positions in any Shares, underlying shares and debentures of Minth or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTIONS

A share option scheme (the "**Share Option Scheme**") was adopted pursuant to a written resolution of all the then shareholders of Minth passed on 13 November, 2004.

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 Minth in issue on the Listing Date ("**General Scheme Limit**"). Minth may renew the General Scheme Limited with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in Minth 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.

SHARE OPTIONS *(Continued)*

Unless approved by shareholders of Minth, 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 Minth 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.

However, no option was granted, exercised, cancelled or lapsed during the year and as at the date of this report since adoption.

ARRANGEMENTS TO PURCHASE SHARES

Save as disclosed under the section headed "Share Options" above, at no time during the year ended 31 December, 2005 was Minth, its holding company or its subsidiaries a party to any arrangements which enabled the Directors (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of Shares in or debenture of Minth or any other body corporate.

PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no contracts of significance in relation to the Group's business to which Minth, its subsidiaries, the controlling shareholder of Minth or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December, 2005 or at any time during the year ended 31 December, 2005.

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

As at 31 December, 2005, the interests or short positions of substantial shareholders, other than the Directors or chief executives of Minth, in the shares and underlying shares of Minth as recorded in the register of substantial shareholders maintained by Minth pursuant to Section 336 of the SFO are as follows:

Name of Substantial Shareholder	Capacity	Long/short position	Number of Shares	Percentage of Minth's Issued Share Capital
Wei Ching Lien	Interest of controlled corporation and interest of spouse	Long position	480,000,000 *(Note 1)*	57.83%
Linkfair	Beneficial owner	Long position	426,000,000	51.33%
Acemind	Beneficial owner	Long position	54,000,000	6.51%
Baring Private Equity Asia III Holding Limited	Beneficial owner	Long position	64,002,000 *(Note 2)*	7.71%
Baring Private Equity Asia GP III, LP	Interest of controlled Corporation	Long position	64,002,000 *(Note 3)*	7.71%
Baring Private Equity Asia GP III Limited	Interest of controlled Corporation	Long position	78,000,000 *(Note 4)*	9.40%
Salata Jean Eric	Interest of controlled corporation and interest of spouse	Long position	90,000,000 *(Note 5)*	10.84%
Pong Melania	Interest of controlled corporation and interest of spouse	Long position	90,000,000 *(Notes 5 and 6)*	10.84%
Goldman Sachs (Asia) Finance	Interest of controlled corporation	Long position	42,000,000	5.06%
Goldman Sachs (Asia) Finance Holdings LLC	Interest of controlled corporation	Long position	42,000,000	5.06%
The Goldman Sachs & Co.	Interest of controlled corporation	Long position	42,000,000	5.06%
The Goldman Sachs Group, Inc.	Interest of controlled corporation	Long position	42,000,000	5.06%

SUBSTANTIAL SHAREHOLDERS *(Continued)*

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

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

Note 3: Baring Private Equity Asia GP III, LP is the general partner of each of the limited partnerships comprising The Baring Asia Private Equity Fund III and is therefore deemed to be interested in the 64,002,000 Shares held by Baring Private Equity Asia III Holding Limited.

Note 4: Baring Private Equity Asia GP III Limited is the general partner of Baring Private Equity Asia GP III, LP and is deemed to be interested in the 64,002,000 Shares held by Baring Private Equity Asia III Holding Limited and in an additional 13,998,000 Shares held by Baring Private Equity Asia III Holding (1) Limited.

Note 5: Baring Private Equity Asia GP III Limited is wholly-owned by Salata Jean Eric and he is therefore deemed to be interested in the 78,000,000 Shares in which Baring Private Equity Asia GP III Limited is deemed to be interested. Baring Asia Fund II (GP) LP is the general partner of the limited partnerships comprising The Baring Asia Private Equity Fund II, one of which wholly owns Baring Asia II Holdings (24) Limited, which is the holder of 12,000,000 Shares. Baring Asia Fund Managers II Limited is the general partner of Baring Asia Fund II (GP) LP. Accordingly, both Baring Asia Fund II (GP) LP and Baring Asia Fund Managers II Limited are deemed to be interested in the 12,000,000 Shares held by Baring Asia II Holdings (24) Limited. Baring Asia Fund Managers II Limited is owned by Maximus GP Holdings Limited, which is owned ultimately by Pong Melania, the spouse of Salata Jean Eric. Salata Jean Eric is, therefore, also deemed to be interested in the 12,000,000 Shares in which Baring Asia Fund Managers II Limited is deemed to be interested.

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

CONNECTED TRANSACTIONS

During the year under review, the following continuing connected transactions have been entered into by the Group to which the Stock Exchange has granted waivers to Minth from strict compliance with the announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

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

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

CONNECTED TRANSACTIONS *(Continued)*

(a) *(Continued)*

On 22 November, 2005, the Group made a payment 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, 2005.

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

Guangzhou Minhui, an indirect non-wholly owned subsidiary of Minth, entered into three technology services agreements with Sankei Giken, a wholly-owned subsidiary of Sankei Giken Holding, on 12 June, 2002, 27 February, 2004, and 1 March, 2004, respectively. Each of Ningbo Shin Tai Machines Industrial Co., Ltd. ("**Ningbo Shintai**") and Jiaxing Minhui Automotive Parts Co., Ltd. ("**Jiaxing Minhui**"), both indirect wholly-owned subsidiaries of Minth, entered into a technology services agreement with Sankei Giken on 1 March, 2004 and 25 May, 2005, respectively (collectively, the "**Technology Services Agreements**"). Pursuant to the Technology Services Agreements, Sankei Giken agreed to provide technology, technology support and knowhow for certain types of auto-parts to Guangzhou Minhui, Ningbo Xintai and Jiaxing Minhui and to grant non-exclusive rights to use the technology knowhow 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 Xintai and Jiaxing Minhui). The technology support provided by Sankei Giken includes the design, installation, operation of the auto-parts and to provide training to the Group's staff. Except for the technology service agreement with Jiaxing Minhui (which is for a term of six years commencing from the date of execution) and Ningbo Xintai (which is for a term of five years commencing from the date of execution), the term for each of the Technical Services Agreements is for five years commencing from the date when registration procedures with the relevant Chinese government authorities are completed.

During the year under review, the aggregate consideration paid to Sankei Giken for its services rendered amounted to approximately RMB3.4 million, it did not exceed the monetary cap of RMB6.5 million for the year ended 31 December, 2005.

(c) Framework supply agreement between Chongqing Changtai Automobile Spare Parts Co., Ltd. ("**Chongqing Changtai**") and Chongqing Changan Yi Er Qi Garden Engineering Co., Ltd. ("**Yi Er Qi**")

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

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

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

CONNECTED TRANSACTIONS *(Continued)*

(c) *(Continued)*

During the year under review, the aggregate sales by the Group to the Yi Er Qi Group amounted to approximately RMB64.7 million, it did not exceed the monetary cap of RMB96.5 million for the year ended 31 December, 2005.

The independent non-executive Directors had reviewed the Transactions and confirmed that the 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 Minth as a whole.

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

REMUNERATION POLICY

Remuneration policy of the Group is set up by the Remuneration Committee, making reference to legal framework, market condition and performance of the Group and individual staff. The remuneration policy and remuneration packages of the Directors and senior management staff of the Group are reviewed by the Remuneration Committee.

Minth has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in page 26.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that Minth was not at any time during the year ended 31 December, 2005 in compliance with the Code of Best Practice as set out by the Stock Exchange in Appendix 14 to the Listing Rules.

COMPLIANCE WITH MODEL CODE

Minth has adopted the Model Code set out in Appendix 10 to the Listing Rules as Minth's code of conduct and rules governing dealings by all Directors in the securities of Minth. Having made specific enquiry of all Directors of Minth, during the year ended 31 December, 2005, the Directors of Minth had strictly complied with the Model Code.

MATERIAL LITIGATION AND ARBITRATION

The Group did not engage in any litigation or arbitration of material importance during the year ended 31 December, 2005.

SUBSEQUENT EVENT

Details of subsequent events are set out in note 33 to the financial statements.

PRE-EMPTIVE RIGHTS

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

AUDITORS

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

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

28 March, 2006

Auditors' Report

Deloitte.
德勤

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

We have audited the financial statements of Minth Group Limited (the "Company") on pages 34 to 68 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards in Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 March, 2006

Consolidated Income Statement

For the year ended 31st December, 2005

	Notes	2005 RMB'000	2004 RMB'000
Turnover		**678,606**	464,178
Cost of goods sold		**(406,641)**	(277,640)
Gross profit		**271,965**	186,538
Other income		**23,545**	21,142
Distribution and selling expenses		**(15,402)**	(7,771)
Administrative expenses		**(72,455)**	(46,793)
Interest on bank borrowings wholly repayable within five years		**(9,088)**	(2,107)
Share of profits of an associate		**11,722**	–
Profit before taxation	*6*	**210,287**	151,009
Taxation	*8*	**(12,179)**	(6,251)
Profit for the year		**198,108**	144,758
Attributable to:			
Equity holders of the Company		**195,067**	123,091
Minority interests		**3,041**	21,667
		198,108	144,758
Dividends	*9*	**164,903**	109,562
Distribution	*9*	**40,303**	–
Earnings per share – basic	*10*	**RMB0.315**	RMB0.205

Consolidated Balance Sheet

At 31st December, 2005

	Notes	2005 RMB'000	2004 RMB'000
Non-current assets			
Property, plant and equipment	11	459,318	335,153
Lease premium for land	12	47,365	44,618
Intangible assets	13	11,186	7,571
Investment in a joint controlled entity	14	8,071	–
Interest in an associate	15	31,233	–
		557,173	387,342
Current assets			
Lease premium for land	12	1,096	1,088
Inventories	16	175,940	111,634
Trade and other receivables and prepayments	17	199,531	214,523
Amounts due from related companies	18	–	9,620
Amount due from a director	19	–	21,256
Pledged bank deposits	20	7,856	3,091
Bank balances and cash	20	465,540	86,380
		849,963	447,592
Current liabilities			
Trade and other payables	21	203,134	141,829
Amounts due to related companies	22	–	20,982
Dividend payable to equity holders of the Company		–	76,886
Taxation payable		956	–
Short-term bank loans	23	114,695	146,355
Other loan	24	–	18,066
		318,785	404,118
Net current assets		531,178	43,474
Total assets less current liabilities		1,088,351	430,816
Non-current liabilities			
Long-term bank loans	25	115,557	–
Net assets		972,794	430,816

Consolidated Balance Sheet

At 31st December, 2005

	Notes	**2005 RMB'000**	2004 RMB'000
Capital and reserves			
Share capital	*26*	**86,345**	236,483
Reserves		**861,280**	154,271
Equity attributable to equity holders of the Company		**947,625**	390,754
Minority interests		**25,169**	40,062
Total equity		**972,794**	430,816

The financial statements on pages 34 to 68 were approved and authorised for issue by the Board of Directors on 28 March, 2006 and are signed on its behalf by:

SHI jian Hui
DIRECTOR

LIANG, Current Tien Tzu
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2005

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve fund RMB'000	Enterprise expansion fund RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Attributable to equity holders of the Company RMB'000	Minority interests RMB'000	Total RMB'000
At 1st January, 2004	156,936	–	–	–	8,475	–	–	132,267	297,678	12,582	310,260
Profit for the year and total recognised income for year	–	–	–	–	–	–	–	123,091	123,091	21,667	144,758
Transfers	–	–	–	–	252	568	–	(820)	–	–	–
Capital contributions	79,547	–	–	–	–	–	–	–	79,547	9,312	88,859
Dividends	–	–	–	–	–	–	–	(109,562)	(109,562)	(3,499)	(113,061)
At 31st December, 2004	236,483	–	–	–	8,727	568	–	144,976	390,754	40,062	430,816
Profit for the year and total recognised income for the year	–	–	–	–	–	–	–	195,067	195,067	3,041	198,108
Transfer	–	–	–	–	10,257	9,639	–	(19,896)	–	–	–
Exchange difference arising on translation of overseas operations	–	–	–	–	–	–	(235)	–	(235)	–	(235)
Capital contributions	39,727	–	–	–	–	–	–	–	39,727	869	40,596
Issue of shares	86,334	452,012	–	–	–	–	–	–	538,346	–	538,346
Expenses incurred in connection with the issue	–	(30,339)	–	–	–	–	–	–	(30,339)	–	(30,339)
Reorganisation	(276,199)	–	276,199	19,511	–	–	–	–	19,511	–	19,511
Distribution *(note 9)*	–	–	–	–	–	–	–	(40,303)	(40,303)	–	(40,303)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(328)	(328)
Dividend Paid	–	–	–	–	–	–	–	(164,903)	(164,903)	(18,475)	(183,378)
At 31st December, 2005	86,345	421,673	276,199	19,511	18,984	10,207	(235)	114,941	947,625	25,169	972,794

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

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

As stipulated by the relevant laws and regulations for foreign investment enterprise in the Mainland China (the "PRC"), the PRC subsidiaries are required to maintain three statutory reserves, being a statutory surplus reserve fund, an enterprise expansion fund and a staff welfare fund which are non-distributable. Appropriations to such reserves are made out of net profit after taxation of the statutory financial statements of the PRC subsidiaries while the amount and allocation basis 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 31st December, 2005

	2005 RMB'000	2004 RMB'000
Operating activities		
Profit for the year	**198,108**	144,758
Adjustments for:		
Interest income	**(2,473)**	(479)
Interest expenses	**9,088**	2,107
Income tax expense	**12,179**	6,251
Depreciation of property, plant and equipment	**32,382**	24,383
Amortisation of intangible assets	**2,195**	3,311
Amortisation of prepaid lease premium for land	**1,088**	1,021
Loss on disposal of property, plant and equipment	**883**	218
Gain on disposal of intangible assets	**–**	(891)
Discount arising on a deemed acquisition of additional interests in a subsidiary	**(328)**	–
Share of profits of an associate	**(11,722)**	–
Allowance for inventories (written back)	**(612)**	1,960
Allowance for bad and doubtful debts (written back)	**(1,282)**	1,023
Operating cash flows before movements in working capital	**239,506**	183,662
Increase in inventories	**(63,694)**	(18,039)
Decrease (increase) in trade and other receivables	**16,274**	(101,048)
Increase (decrease) in trade and other payables	**51,019**	(10,659)
Cash from operations	**243,105**	53,916
PRC income tax paid	**(11,223)**	(6,251)
Net cash from operating activities	**231,882**	47,665
Investing activities		
Interest received	**2,473**	479
Purchase of property, plant and equipment	**(148,375)**	(99,370)
Investment in a joint venture	**(8,071)**	–
Proceeds from disposal of property, plant and equipment	**1,140**	4,694
Prepaid rentals for lease premium for land	**(3,843)**	–
Purchase of intangible assets	**(5,810)**	(5,650)
Proceeds from disposal of intangible assets	**–**	6,633
Repayment from (advances to) related companies	**9,620**	(6,763)
Repayment from a director	**21,256**	78,869
(Increase) decrease in pledged bank deposits	**(4,765)**	2,641
Net cash used in investing activities	**(136,375)**	(18,467)

Consolidated Cash Flow Statement

For the year ended 31st December, 2005

	2005 RMB'000	2004 RMB'000
Financing activities		
Interest paid	**(9,088)**	(2,107)
Proceeds from issue of shares	**538,346**	–
Payment of listing expense	**(30,339)**	–
Dividends paid	**(241,789)**	(82,044)
Dividends paid to minority owners of subsidiaries	**(18,384)**	(1,200)
Capital contributions from equity holders of the Company	**39,727**	79,547
Capital contributions from minority owners of subsidiaries	**869**	9,312
Distribution during the Group Reorganisation	**(40,303)**	–
Repayment to related companies	**(20,982)**	(19,427)
Bank loans raised	**230,252**	166,551
Repayment of bank loans	**(146,355)**	(153,780)
Repayment of other loans	**(18,066)**	–
Net cash from (used in) financing activities	**283,888**	(3,148)
Net increase in cash and cash equivalents	**379,395**	26,050
Cash and cash equivalents at beginning of the year	**86,380**	60,330
Effect of foreign exchange rate changes	**(235)**	–
Cash and cash equivalents at the end of the year	**465,540**	86,380
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**465,540**	86,380

Notes to the Financial Statements

For the year ended 31st December, 2005

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

The Company was incorporated under the Company Law of the Cayman Islands on 22nd June, 2005 and registered as an exempted company with limited liability. The shares of the Company have been listed on the Stock Exchange since 1st 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 32.

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

Pursuant to a group reorganisation (the "Group Reorganisation") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group on 30th June, 2005.

Ningbo Guoya Automotive Co., Ltd. ("Ningbo Guoya"), a PRC enterprise, was wholly owned and operated by the beneficial owner of the Company before the Group Reorganisation. As part of the Group Reorganisation, Ningbo Guoya transferred its design, manufacture, development and sales of exterior automobile body parts business (the "Relevant Business") to Ningbo Guohong Automotive Co., Ltd, a subsidiary of the Company, on 30th June 30, 2005 and Ningbo Guoya has become inactive since then. Further details of the Group Reorganisation are set out in the Appendix VI of the prospectus issued by the Company dated 22nd November, 2005.

The Group comprising the Company and its subsidiaries (the "Group") and the Relevant Business resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared on the basis as if the Company has always been the holding company of the Group using the principles of merger accounting in accordance with the Statement of Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). On this basis, the results of the Group and the Relevant Business for the years ended 31st December, 2004 and 2005 include results of the Company, its subsidiaries and the Relevant Business with effect from 1st January, 2004 or since their respective date of incorporation or establishment where this is a shorter period.

The financial statements are presented in Renminbi ("RMB"), the currency in which the majority of the Group's transactions are denominated.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention, with the exception of certain financial instruments which are measured at fair value and in accordance Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. The consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The HKICPA has issued the following standards and interpretations ("INT") that are not yet effective. The directors anticipate that the adoption of these Standards and Interpretations in the future periods will have no material impact on the financial statements of the Group. The Group has considered the following standards and interpretations but does not expect they will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

HKAS 1 (Amendment)	Capital disclosure[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[3]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market, waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1st January, 2007.
[2] Effective for annual periods beginning on or after 1st January, 2006.
[3] Effective for annual periods beginning on or after 1st December, 2005.
[4] Effective for annual periods beginning on or after 1st March, 2006.

The directors anticipate that the adoption of these Standards and Interpretations in the future periods will have no material impact on the financial statements of the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31st December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired, other than those acquired under Group Reorganisation, 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

Business combinations

The acquisition of subsidiaries, other than under the Group Reorganisation, is accounted for using the purchase method. The cost of the acquisition is measured as 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.

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 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, after reassessment, the excess is recognised immediately in profit or loss.

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

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when the investment is classified as held for sale in which case it is accounted for under HKFRS 5 "Non-current assets held for sale and discontinued operations". Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate are not recognised.

Where the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the associates.

Interests in jointly controlled entities

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

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

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Revenue recognition

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

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

Services income is recognised when services are provided.

Interest income 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 estimated cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income, including rentals invoiced in advance under operating leases, is recognised on a straight line basis over the period of the respective leases.

2. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation and any identified impairment loss at the balance sheet date.

Construction in progress is stated at cost which includes all development expenditure and other direct costs attributable to such projects. Construction in progress is not depreciated until completion of construction and the asset is put into use. The cost of completed construction works is transferred to the appropriate category of property, plant and equipment.

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

The cost of leasehold improvements is depreciated over the shorter of 5 years or the term of the relevant lease, using the straight line method.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, after taking into account their estimated residual value, using the straight line method. The estimated useful lives of each category of property, plant and equipment are as follows:

Buildings	$15^1/_2$ years to 20 years
Furniture and equipment	5 years to 10 years
Motor vehicles	5 years
Plant and machinery	10 years

Lease premium for land

Leasehold land premiums are up-front payments to acquire long-term leasehold land interests. The premiums are stated at cost and are charged to the income statement over the period of the lease on a straight line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised in profit or loss in the year when incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Patent and technical know-how

Acquired patent and technical know-how are measured initially at purchase cost and stated at cost less accumulated amortisation and impairment. They are amortised on a straight line basis over their estimated useful lives.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories comprising raw materials, work in progress, finished goods and moulds are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and cost to be incurred in marketing, selling and distribution.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

Trade receivables/Amounts due from related companies and a director

Trade receivables and amounts due from related companies and a director are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Equity Instruments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash on hand that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments 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.

Trade payables/Amounts due to related companies

Trade payables and amounts due to related companies are initially measured at fair value, and are subsequently measured at amortised cost.

Bank borrowings

Interest-bearing bank loans are initially measured at fair values and are subsequently measured at amortised cost using effective interest method.

Research and development expenditure

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

An internally-generated intangible asset arising from development expenditure is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement 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 is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to 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.

Government grants

Government grants including government subsidies are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in RMB, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Operating leases

The Group as Lessor

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

The Group as Lessee

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

3. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies, which are described in Note 2, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements.

Inventories

Note 2 describes that inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisation value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

The Group does not have a general policy on inventory based on ageing given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. However, due to majority of working capital is devoted to inventories, operational procedures have been in place to monitor this risk. Procedurewise, the sales and marketing managers review the inventory ageing listing on a periodical basis to identify aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow-moving items. In addition, physical count on all inventories are carried out on a periodical basis in order to determine whether an allowance is needed in respect of any obsolete and defective inventories identified. In this regard, the directors of the Company are satisfied that the risk is minimal and adequate allowance for obsolete and slow-moving inventories has been made in the consolidated financial statements.

Trade receivables

Note 2 describes that trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the receivables are not recoverable.

In making the judgment, management considered detailed procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the ageing status and the likelihood of collection. Specific provision is only made for trade receivables that are unlikely to be collected. In this regard, the directors of the Company are satisfied that this risk is minimal and adequate allowance for doubtful debts has been made in the consolidated financial statements in light of the historical records of the Group and the circumstances of the PRC automobile industry as a whole.

3. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated useful life of property, plant and equipment

As at 31st December, 2005, the carrying amount of the Group's property, plant and equipment is RMB459,318,000. The estimated useful life of the assets reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Estimated useful life of intangible assets

As at 31st December, 2005, the carrying amount of the Group's intangible assets is RMB11,186,000. The estimated useful life of the assets reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's intangible assets.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, bank balances and cash, trade payables and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Several subsidiaries of the Company have foreign currency sales and certain trade receivables of the Group are denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. In order to mitigate the foreign currency risk, management closely monitors such risks and will consider hedging significant foreign currency exposure should the need arises.

Commodity risk

The Group's exposure to commodity price risk relates primarily to the cost of raw materials, outsourced parts and components for the manufacturing of the goods. The Group has not entered into any contracts to hedge the exposure.

Interest rate risk

The Group's fair value interest rate risk relates to bank balances and fixed-rate borrowings. The Group has not entered into any interest rate hedging contracts or any other derivative financial instrument.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. In the opinion of the Directors, most of the borrowings that mature within one year are able to be renew and the Group expects to have adequate source of funding to finance the Group and manage the liquidity position.

Credit risk

The Group's financial assets are trade and other receivables, amounts due from related companies and bank balances and cash, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Company's financial assets are bank balances, which represent the Company's maximum exposure to credit risk in relation to financial assets.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

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

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

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

5. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers 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

As over 90% of the consolidated turnover and operating results of the Group for the Relevant Periods is derived in the PRC, an analysis of the consolidated turnover and operating results of the Group by business and geographic location is not presented.

No geographic segments information of the Group's assets and liabilities is shown as the Group's assets and liabilities are substantially located in the PRC.

6. PROFIT BEFORE TAXATION

	2005 RMB'000	2004 RMB'000
Profit before taxation has been arrived at after charging:		
Cost of inventories as expenses	**406,641**	277,640
Directors' remuneration *(note 7)*	**1,552**	187
Other staff's retirement benefits scheme contributions	**2,576**	1,374
Other staff costs	**60,782**	37,007
Total staff costs	**64,910**	38,568
Less: Staff costs included in research and development costs	**(6,137)**	(2,476)
	58,773	36,092
Depreciation of property, plant and equipment	**32,382**	24,383
Less: Depreciation included in research and development costs	**(3,990)**	(2,529)
	28,392	21,854
Amortisation of intangible assets D2 (included in administrative expenses)	**2,195**	3,311
Allowance for bad and doubtful debts	**–**	1,023
Allowance for inventories	**–**	1,960
Loss on disposal of property, plant and equipment	**883**	218
Operating lease rentals of buildings	**1,596**	1,021
Amortisation of prepaid land premium	**1,088**	1,021
Research and development costs	**25,763**	13,855
Profit before taxation has been arrived at after crediting:		
Property rental income	**3,850**	4,036
Less: Outgoings	**(1,206)**	(1,254)
	2,644	2,782
Allowance for bad and doubtful debts written back	**1,282**	–
Allowance for provision for inventories written back *(note 1)*	**612**	–
Discount arising on an acquisition of additional interests in a subsidiary	**328**	–
Gain on disposal of intangible assets	**–**	891
Government subsidies *(note 2)*	**4,894**	3,685
Interest income	**2,473**	479
Net foreign exchange gain	**3,596**	2,630

Note 1: Allowance of provision for inventories has been written back on sale of these inventories.

Note 2: 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.

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the nine (2004: one) directors were as follows:

		Others emoluments		
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2005				
Executive directors:				
Chin Jong Hwa	–	50	–	50
Chin Jung Huang	–	426	–	426
Liang Tien Tzu	–	452	–	452
Mu Wei Zhong	–	265	4	269
Shi Jian Hui	–	311	5	316
	–	1,504	9	1,513
Non-executive directors:				
Shaw Sun Kan Gordon	–	–	–	–
Independent non-executive directors:				
Heng Kwoo Seng	13	–	–	13
Wang Ching	13	–	–	13
Zhang Liren	13	–	–	13
	39	–	–	39
2004				
Executive directors:				
Chin Jung Huang	–	186	1	187

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

During the year, the five highest paid individuals included one director, (2004: one director) details of whose emoluments are set out above. The emoluments of the remaining four (2004: four) highest paid individuals were as follows:

	Salaries and other benefits RMB'000	Retirements benefits scheme contributions RMB'000	Total RMB'000
2005	1,937	–	1,937
2004	1,522	72	1,594

8. 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 Group's PRC subsidiaries and associates are entitled to exemption from PRC income tax for the 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:

	2005		2004	
	RMB'000	**%**	RMB'000	%
Profit before taxation	**210,287**		151,009	
Tax at the applicable income tax rate	**(31,543)**	**(15.0)**	(22,651)	(15.0)
Additional tax credit on qualified research and development costs	**4,385**	**2.1**	1,948	1.3
Tax effect of expenses not deductible for tax purposes	**(500)**	**(0.2)**	(525)	(0.3)
Tax effect of tax losses not recognised	**–**	**–**	(489)	(0.3)
Effect of tax holidays	**16,552**	**7.8**	15,503	10.2
Tax effect of different tax rates of subsidiaries	**(185)**	**(0.1)**	153	0.1
Others	**(888)**	**(0.4)**	(190)	(0.1)
Tax charge and effective tax rate for the year	**(12,179)**	**(5.8)**	(6,251)	(4.1)

8. TAXATION *(Continued)*

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

No deferred taxation was provided at 31st December 2005 and 2004 as the amounts involved were not significant.

9. DIVIDENDS/DISTRIBUTION

	2005 RMB'000	2004 RMB'000
Name of companies		
The Company	**49,988**	–
Chongqing Changtai Automobile Spare Parts Co., Ltd.	**5,406**	3,570
Guangzhou Minhui Automobile Parts Co., Ltd.	**54,377**	6,903
Relevant Business of Ningbo Guoya	**23,097**	30,552
Ningbo Shin Tai Machines Co., Ltd.	**50,510**	72,036
	183,378	113,061
Less: Dividends to minority owners of subsidiaries	**18,475**	3,499
	164,903	109,562

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

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

10. EARNING FOR SHARE

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

	2005 RMB'000	2004 RMB'000
Earnings for the purpose of basic earnings per share (profit for the year attributable to equity holders of the Company)	**195,067**	123,091

	Number of ordinary shares 2005	 2004
Weighted average number of ordinary shares for the purposes of basic earnings per share	**618,465,753**	600,000,000

10. EARNING FOR SHARE *(Continued)*

For the purpose of basic calculation of basic earnings per share, the weighted average number of 600,000,000 shares in issue was assumed that the Group Reorganisation was taken place on 1st January, 2004.

No diluted earnings per share has been presented for both 2005 and 2004 as there were no dilutive potential ordinary shares in both years.

11. PROPERTY, PLANT AND EQUIPMENT

	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
THE GROUP							
COST							
At 1st January, 2004	111,530	6,864	2,108	6,552	137,058	9,225	273,337
Additions	141	4,439	326	4,373	37,793	67,191	114,263
Disposals	–	(1,510)	–	(428)	(5,188)	–	(7,126)
Transfers	23,707	96	–	–	19,619	(43,422)	–
At 31st December, 2004	135,378	9,889	2,434	10,497	189,282	32,994	380,474
Additions	2,102	5,378	301	2,070	53,923	94,796	158,570
Disposals	–	(514)	(257)	(615)	(4,687)	–	(6,073)
Transfers	38,886	–	–	–	29,518	(68,404)	–
At 31st December, 2005	176,366	14,753	2,478	11,952	268,036	59,386	532,971
DEPRECIATION							
At 1st January, 2004	5,701	2,203	965	1,398	12,885	–	23,152
Provided for the year	5,430	1,300	460	1,335	15,858	–	24,383
Eliminated on disposals	–	(400)	–	(239)	(1,575)	–	(2,214)
At 31st December, 2004	11,131	3,103	1,425	2,494	27,168	–	45,321
Provided for the year	5,773	871	423	1,447	23,868	–	32,382
Eliminated on disposals	–	(223)	(257)	(316)	(3,254)	–	(4,050)
At 31st December, 2005	16,904	3,751	1,591	3,625	47,782	–	73,653
NET BOOK VALUES							
At 31st December, 2005	159,462	11,002	887	8,327	220,254	59,386	459,318
At 31st December, 2004	124,247	6,786	1,009	8,003	162,114	32,994	335,153

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

No interest was capitalised under construction in progress.

12. LEASE PREMIUM FOR LAND

	2005 **RMB'000**	2004 RMB'000
THE GROUP		
CARRYING VALUE		
At 1st January	**45,706**	46,727
Additions during the year	**3,843**	–
Charged to income statement during the year	**(1,088)**	(1,021)
At 31st December	**48,461**	45,706
Including:		
Current portion	**1,096**	1,088
Non-current portion	**47,365**	44,618
At 31st December	**48,461**	45,706

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

13. INTANGIBLE ASSETS

	Patent RMB'000	Technical know-how RMB'000	Total RMB'000
THE GROUP			
COST			
At 1st January, 2004	12,250	3,400	15,650
Additions	1,621	4,029	5,650
Disposals	(12,250)	–	(12,250)
At 31st December, 2004	1,621	7,429	9,050
Additions	–	5,810	5,810
At 31st December, 2005	1,621	13,239	14,860
AMORTISATION			
At 1st January, 2004	4,594	82	4,676
Amortised for the year	1,914	1,397	3,311
Eliminated on disposals	(6,508)	–	(6,508)
At 31st December, 2004	–	1,479	1,479
Amortised for the year	326	1,869	2,195
At 31st December, 2005	326	3,348	3,674
CARRYING VALUES			
At 31st December, 2005	1,295	9,891	11,186
At 31st December, 2004	1,621	5,950	7,571

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

14. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

Name of subsidiary	Country of incorporation/ establishment	Attributable equity interest of the Group	Principal activities
Constant Gain International Limited	British Virgin Islands	50%	Investment holding

	2005 **RMB'000**	2004 RMB'000
Investment in a jointly controlled entity	**8,071**	–

14. INVESTMENT IN A JOINTLY CONTROLLED ENTITY *(Continued)*

The Company hold 50% of a jointly controlled entity named Constant Gain International Limited established in British Virgin Islands, which have 100% entity interest in Jiaxing Kittel-Minth Automative Parts Company Limited, a company established in the PRC and engaged in the manufacture and sales of exterior automobile body parts.

The jointly controlled entity and its subsidiaries have not yet started their operations as at 31st December, 2005.

15. INTEREST IN AN ASSOCIATE

	2005	2004
	RMB'000	RMB'000
Cost of unlisted investment in an associate	**19,511**	–
Share of post-acquisition profit	**11,722**	–
Share of net assets	**31,233**	–

The investment in an associate at 31st December, 2005 represents the Group's 48% equity interest in Ningbo Tokai Minth Automotive Parts Co., Ltd., a company established in the PRC and engaged in the manufacture and sales of exterior automobile body parts.

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

	2005	2004
	RMB'000	RMB'000
Total assets	**105,813**	–
Total liabilities	**40,745**	–
Net assets	**65,068**	–
Group's share of the associate's net assets	**31,233**	–

	2005	2004
	RMB'000	RMB'000
Revenue	**119,200**	–
Profit for the year	**24,421**	–
Group's share of the associate's profit for the year	**11,722**	–

16. INVENTORIES

	2005 RMB'000	2004 RMB'000
Raw materials	**49,306**	31,165
Work in progress	**48,826**	19,330
Finished goods	**23,233**	31,602
Moulds	**54,575**	29,537
	175,940	111,634

17. TRADE AND OTHER RECEIVABLES

	2005 RMB'000	2004 RMB'000
Trade receivables		
– related companies	**–**	36,140
– associate	**10,637**	–
– third parties	**139,669**	96,326
	150,306	132,466
Bills receivables	**22,468**	42,100
	172,774	174,566
Prepayment for purchase of raw materials	**19,499**	18,256
Advances to suppliers	**–**	230
Other receivables	**7,258**	21,471
	199,531	214,523

17. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2005	2004
	RMB'000	RMB'000
Age		
0 – 90 days	**167,228**	137,550
91 – 180 days	**2,138**	27,410
181 – 365 days	**3,347**	6,261
1 – 2 years	**489**	4,993
Over 2 years	**7,125**	7,866
	180,327	184,080
Allowance for bad and doubtful debts	**(7,553)**	(9,514)
	172,774	174,566

The Group's trade receivables which are not denominated in the functional currencies of the respective entities are as follows D3:

Original currency	**USD**	**JPY**	**AUS**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 31st December, 2005	17,537	1,258	426	19,221
At 31st December, 2004	3,724	–	–	3,724

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

18. AMOUNTS DUE FROM RELATED COMPANIES

The amounts as at 31st December, 2004 were unsecured, payable on demand and interest-free except for an amount due from a related company amounting to RMB6,000,000 carried interest at 6% per annum. A director of the Companies, Mr. Chin, has interests in these related companies. The directors consider that the carrying amount of amounts due from related companies as at 31st December, 2004 approximated their fair values. The amounts were fully settled in September, 2005.

The maximum amounts outstanding from related parties during the year were RMB18,742,000 (2004: RMB29,530,000).

19. AMOUNT DUE FROM A DIRECTOR

The amount represented an amount due from Mr. Chin which was unsecured, interest-free and was fully settled in June 2005. The directors consider that the carrying amount of amount due from a director as at 31st December, 2004 approximated its fair value.

The maximum amounts outstanding from Mr. Chin during the year were as follows:

	2005	2004
	RMB'000	RMB'000
Name of director		
Mr. Chin	**21,256**	100,125

20. OTHER FINANCIAL ASSETS

Pledged bank deposits and bank balances and cash

The pledged bank deposits and certain bank balances and cash of totally RMB82,988,000 and RMB85,817,000 at 31st December, 2004 and 31st December, 2005, respectively were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

The pledged deposits are secured for banking facilities from the banks in respect of purchases of materials, which have effective interest rate of 1.98% and the average maturity period is within 3 months.

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

21. TRADE AND OTHER PAYABLES

	2005	2004
	RMB'000	RMB'000
Trade payables		
– associate	**1,244**	8,070
– third parties	**80,398**	65,883
	81,642	73,953
Bills payables	**31,147**	14,250
	112,789	88,203
Payroll and welfare payables	**14,569**	9,870
Advance payment from customers	**10,639**	2,968
Consideration payable of acquisition of property, plant and equipment	**40,390**	30,195
Dividend payable to minority owners of subsidiaries	**2,390**	2,299
Other payables	**22,357**	8,294
	203,134	141,829

21. TRADE AND OTHER PAYABLES *(Continued)*

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

	2005 **RMB'000**	2004 RMB'000
Age		
0 to 90 days	**110,427**	78,310
91 to 180 days	**1,692**	4,340
181 to 365 days	**153**	254
1 – 2 years	**497**	3,099
Over 2 years	**20**	2,200
	112,789	88,203

The Group's trade payables which are not denominated in the functional currencies of the respective entities are as follows D4:

Original currency	**USD** RMB'000	**JPY** RMB'000	**Total** RMB'000
At 31st December, 2005	4,687	1,905	6,592
At 31st December, 2004	–	2,303	2,303

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

22. AMOUNTS DUE TO RELATED COMPANIES

The amounts were unsecured, interest-free and fully repaid in August, 2005. A director of the Company, Mr. Chin, has interests in these related companies. The directors consider that the carrying amounts of amounts due to related companies approximate their fair values.

23. SHORT-TERM BANK LOANS

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

Original currency	**RMB** RMB'000	**USD** RMB'000	**JPY** RMB'000	**Total** RMB'000
At 31st December, 2005	80,800	33,895	–	114,695
At 31st December, 2004	–	33,106	113,249	146,355

23. SHORT-TERM BANK LOANS *(Continued)*

The short-term bank loans as at 31st December, 2004 and 31st December, 2005 are secured by bank deposits and carry interest at rates ranging from 1.0% to 6.6% and 4.5% to 5.2% respectively.

The short-term bank loans at 31st December, 2004 and 31st December, 2005 of RMB96,726,000 and RMB80,800,396 respectively are arranged at fixed interest rates which exposed the Group to fair value interest rate risk. Other short-term bank loans are arranged at floating rates, these rates exposed the Group to cash flow interest rate risk.

At 31st December, 2004, short-term bank loans of RMB96,726,000 were guaranteed by certain related companies in which a director of the Company, Mr. Chin, has interests. The guarantee has been released in 2005.

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

24. OTHER LOAN

Other loan, which was advanced from The Committee of Jiaxing Asia Pacific Technology and Industrial Zone (嘉興亞太科技工業園區委員會), an organisation under Jiaxing government, for encouraging investment in Jiaxing, was interest-free. The loan has been fully repaid in January 2005.

25. LONG-TERM BANK LOANS

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

The long-term bank loans at 31st December, 2005 are unsecured and carry interest at rates ranging from 4.900% to 5.854%. All the long-term loans are repayable in year 2007.

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

26. SHARE CAPITAL

	2005	
	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
– On the date of incorporation *(note a)*	3,800,000	380
– Increase during the year *(note b)*	4,996,200,000	499,620
	5,000,000,000	500,000

26. SHARE CAPITAL *(Continued)*

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

Notes:

(a) The Company was incorporated on 22nd June, 2005 with an authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.10 each. On 29th June, 2005, one share was allotted and issued. On 30th June, 2005, the Company issued 99,999 shares pursuant to Group Reorganisation.

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

i. the authorised share capital of the Company was increased from HK$380,000 to HK$500,000,000 by the creation of an additional 4,996,200,000 shares, with such new shares ranking pari passu in all respects with the existing shares; and

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

(c) On 1st December 2005 and 12th December, 2005, the Company allotted and issued 200,000,000 shares of HK$0.10 each upon listing of the shares on the Main Board of the Stock Exchange and 30,000,000 shares of HK$0.10 each upon the exercise of the over-allotment options, both at a price of HK$2.25 per share, respectively. These shares rank pari passu with the then existing shares.

The share capital of the Group as at 31st December, 2004 represented the aggregate paid-in capital of the PRC subsidiaries of the Company.

27. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	2005 **RMB'000**	2004 RMB'000
Within one year	**728**	990
In the second to fifth year inclusive	**453**	290
After five years	**816**	864
	1,997	2,144

Operating lease payments represent rentals payable by the Group for certain of its properties. The leases terms are negotiated from 1 to 18 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 RMB3,850,000 (2004: RMB4,036,000).

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

	2005 **RMB'000**	2004 RMB'000
Within one year	**680**	572
In the second to fifth year inclusive	**54**	572
	734	1,144

28. CAPITAL COMMITMENTS

	2005 **RMB'000**	2004 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	**46,285**	25,369
Investment in a jointly controlled entity	**4,035**	–

29. OTHER COMMITMENTS

Pursuant to an agreement dated 20th June, 2005 and two supplemental agreements dated 31st July, 2005 and 10th November, 2005 entered into between the Group and Sankei Giken Holding Co., Ltd. ("Sankei"), the minority owner of a subsidiary, the Group is committed to pay a fixed contracted annual payment of US$393,385 to Sankei for each of the four years ending 31st December, 2008 from the year of 2005. The fixed contracted annual payment for the year ending 31st December, 2005 has been paid and recorded as an expense incurred during the year.

30. RETIREMENT BENEFITS SCHEME

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

31. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Saved as disclosed in note 23 and 29, the Group has the following significant transactions with related/connected parties during the year:

Relationship with related/connected party	Nature of transactions	2005 RMB'000	2004 RMB'000
Director of the Company Mr. Chin*	Acquisition of an associate	**19,511**	–
Companies in which Mr. Chin, has interests*	Sales of goods	**17,700**	57,437
	Purchase of raw materials	**13,959**	20,827
	Purchase of property, plant and equipment	**2,484**	959
	Proceeds from disposal of property, plant and equipment received	**149**	1,037
	Property rentals received	**914**	1,019
	Testing service income	**13**	224
	Interest income	**204**	–
Company in which Ms. Chen Qiu Ling, the spouse of Dr. Chin Jung Huang, the director of the Company, has interest *	Sales of goods	**–**	12,634
	Purchase of raw materials	**–**	1,077
	Proceeds from disposal of intangible assets received	**–**	6,633
	Property rentals received	**–**	1,733
	Testing services income	**–**	229
Associate, in which the Company has 48% equity interest	Sales of goods	**47,315**	–
	Purchase of raw materials	**4,237**	–
	Proceeds from disposal of property, plant and equipment received	**427**	–
	Property rentals received	**1,859**	–
	Testing services income received	**100**	–
Minority owner of a subsidiary	Technology support services fees paid	**3,395**	1,539
	Purchase of raw material	**225**	–
Companies in which a minority owner of a subsidiary has interests	Sales of goods	**64,704**	63,807

31. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS *(Continued)*

The directors represented that they consider 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 transactions with these companies marked with an asterisk "*" have been terminated from 30th June 2005.

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

	2005 RMB'000	2004 RMB'000
Short-terms benefits	**3,721**	745
Other long-term benefits	**25**	2
	3,746	747

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

32. SUBSIDIARIES

Details of the Company's subsidiaries at 31st December, 2005 are as follows:

Name of subsidiary	Country of incorporation/ and operation and kind of legal entity	Attributable equity interest of the Group	Registered Capital	Principal activities
Decade Industries Limited	British Virgin Islands	100%	USD 1	Investment holding
Forecast Industries Limited	British Virgin Islands	100%	USD 1	Investment holding
Mindway Holdings Limited	British Virgin Islands	100%	USD 1	Investment holding
Sinoone Holdings Limited	British Virgin Islands	100%	USD 1	Investment holding
Wealthfield Holdings Limited *	British Virgin Islands	100%	USD 1	Investment holding
重慶長泰汽車零部件有限公司 Chongqing Changtai Automobile Spart Parts Co., Ltd. ("Chongqing Changtai")	PRC for a term of 20 years as a sino foreign equity joint venture	80%	USD4,200,000	Manufacture and sales of exterior automobile body parts
福州信泰汽車零部件有限公司 (Fuzhou Shintai Automotive Parts Co., Ltd.) ("Fuzhou Shintai")	PRC for a term of 50 years as a wholly-owned foreign investment enterprise ("WOFE")	100%	USD1,050,000	Manufacture, process and sales of exterior automobile body parts

32. SUBSIDIARIES *(Continued)*

Name of subsidiary	Country of incorporation/ and operation and kind of legal entity	Attributable equity interest of the Group	Registered Capital	Principal activities
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	70% *(Note 29)*	USD5,350,000	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%	USD1,000,000	Manufacture and sales of exterior automobile body parts
嘉興敏惠汽車零部件有限公司 (Jiaxing Minhui Automotive Co., Ltd.) Parts ("Jiaxing Minhui")	PRC for a term of 20 years as a WOFE	100%	USD12,000,000	Manufacture and sales of exterior automobile body parts
寧波國鴻汽車零部件有限公司 (Ningbo Guohong Automotive Co., Ltd.) ("Ningbo Guohong")	PRC for a term of 50 years as a WOFE	100%	USD4,800,000	Design, manufacture, develop and sales of exterior automobile body parts
寧波信泰機械有限公司 Ningbo Shin Tai Machines Co., Ltd. ("Ningbo Shin Tai")	PRC for a term of 20 years as a WOFE	100%	USD 12,000,000	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 WOFE	100%	USD 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%	USD 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 20 years as a WOFE	100%	USD 3,000,000	Manufacture and sales of exterior automobile body parts

* Directly held by the Company.

33. EVENTS AFTER THE BALANCE SHEET DATE

On March 28, the directors pass a recommendation of payment of a final dividend of HK$0.033 per share to the shareholders on the register of members on 28 April, 2006, amounting to HK$27,390,000.