

# 2006

Interim Report

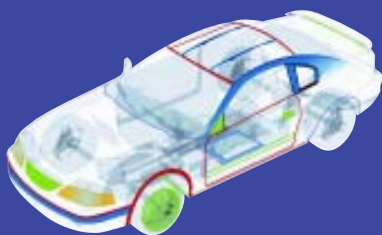


**MINTH**  
**敏實集團**

**MINTH GROUP LIMITED**  
**敏實集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 425



## 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 Kwo Seng

Wang Ching

Zhang Liren

### Audit Committee

Heng Kwo Seng (*Chairman*)

Wang Ching

Zhang Liren

### Remuneration Committee

SHAW Sun Kan, Gordon (*Chairman*)

Heng Kwo 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

**Principal Share Registrar and  
Transfer Office**

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

**Hong Kong Branch Share Registrar  
and Transfer Office**

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

**Auditor**

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

**Legal Advisers to the Company**

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

*As to PRC Law*  
T & C Law Firm  
11/F, Block A  
Dragon Century Square  
No. 1 Hangda Road  
Hangzhou  
China

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

**Compliance Adviser**

Cazenove Asia Limited  
50/F One Exchange Square  
8 Connaught Place, Central  
Hong Kong

**Stock Code**

SEHK Code: 0425

## MANAGEMENT DISCUSSION AND ANALYSIS

### Company profile

After China's automobile market rebounded significantly in 2005, for the period between 1st January, 2006 and 30th June, 2006 (the "Review Period"), the production and sales volume of automobiles in China surged forward by 40% and 36% year-on-year respectively. It appears that for the year 2006, China's automobile market continues to grow rapidly and consistently.

Minth Group Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") are principally engaged in the design, manufacture and sale of trim, decorative parts and body structural parts for passenger cars in the China automobile parts market.

### Review On Operations

During the Review Period, the Group's turnover was RMB449,321,000, representing an increase of approximately 47.0% and 20.5% as compared to the first and second halves of 2005, respectively. Profit attributable to equity holders was about RMB126,490,000, representing an increase of approximately 24.8% and 35.0% from the first and second halves of 2005, respectively.

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#### Turnover ('000 RMB)

2005 Jan-Jun		305,709
2005 Jul-Dec		372,897
2006 Jan-Jun		449,321

#### Net Profit Attributable to Equity Holders of the Company ('000 RMB)

2005 Jan-Jun		101,341
2005 Jul-Dec		93,726
2006 Jan-Jun		126,490

**Product expansion**

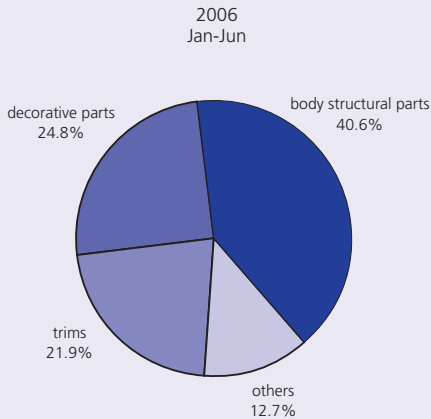
In addition to continuing the consolidation and development of the trim business, the Group also focuses on high value-adding decorative parts and body structural parts for passenger cars. During the Review Period, turnover from the three major product categories, namely trim, decorative parts and body structural parts, accounted for 21.9%, 24.8% and 40.6% of the Group’s total turnover, respectively, representing a decrease of approximately 0.7%, an increase of approximately 4.1% and an increase of approximately 0.9%, respectively, as compared to the first six months of 2005.

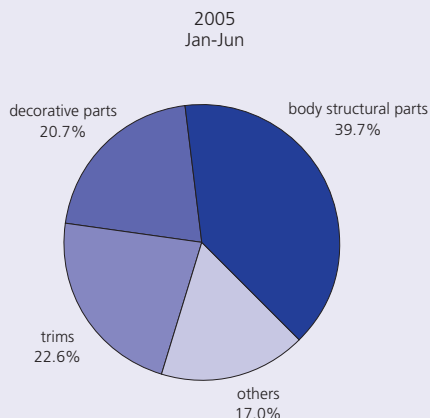
**Turnover analysis by product category**

Product category	Six months ended 30th June, 2006		Six months ended 30th June, 2005	
	RMB'000	%	RMB'000	%
Trims	98,596	21.9	69,101	22.6
Decorative parts	111,596	24.8	63,243	20.7
Body structural parts	182,496	40.6	121,519	39.7
Others (Note)	56,757	12.7	51,933	17.0
Total	449,445	100	305,796	100
Less: Sales tax	(124)		(87)	
Total turnover	449,321		305,709	

Note: Includes PVC, moulds, headliner and others.

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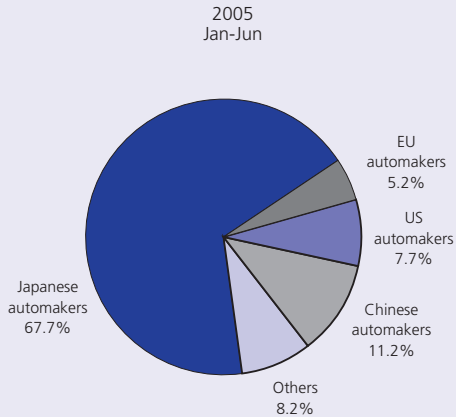
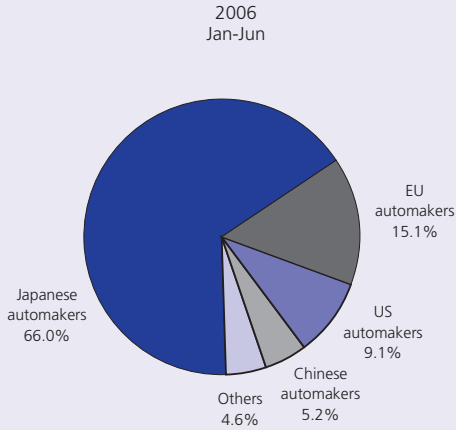




#### Turnover by Customer Group

Customer group	Six months ended 30th June, 2006		Six months ended 30th June, 2005	
	RMB'000	%	RMB'000	%
Japanese automakers	296,763	66.0	206,929	67.7
EU automakers	67,643	15.1	16,033	5.2
US automakers	40,728	9.1	23,621	7.7
Chinese automakers	23,231	5.2	34,268	11.2
Others (Note)	21,080	4.6	24,945	8.2
Total	<b>449,445</b>	<b>100</b>	<b>305,796</b>	<b>100</b>
Less: Sales tax	(124)		(87)	
Total turnover	<b>449,321</b>		<b>305,709</b>	

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Note: Others refer to those customers who purchase from the Group indirect auto-parts (including PVC, after-sales parts, etc.).

In addition to continuing the consolidation and expansion of the existing businesses, the Group obtained a supplier license from Changan Ford Automobile Co., Ltd. (Nanjing Plant) (“Nanjing Ford”) and also automobile part supply contracts for over twenty models of passenger cars with China’s major automakers during the Review Period. These models are expected to be the automaker’s major products launched in China’s market in future years, some of which are expected to have mass production in the second half of 2006.

## Cooperation and network layout

### Joint ventures arrangement

Sinoone Holdings Limited, a wholly owned subsidiary of the company, in May 2006, reached an agreement with Aisin Tianjin Auto Part Co., Ltd (“Aisin Tianjin”), whose controlling shareholder is an affiliate of Toyota, pursuant to which Sinoone Holdings Limited transferred 20% of its equity interest in Tianjin Shintai Automobile Parts Co., Ltd (“Tianjin Shintai”) to Aisin Tianjin. On 19th July, 2006, Tianjin Shintai entered into a sale and purchase agreement with Aisin Tianjin, pursuant to which Tianjin Shintai and/or its affiliates agreed to purchase semi-finished automobile materials from and sell finished auto-mobile parts to, Aisin Tianjin and/or its affiliates during the term of the sale and purchase agreement. We believe the deal will solidify and expand the Group’s related business with Tianjin FAW Toyota Motor Co., Ltd. (“FAW Toyota”) and further strengthen the Group’s position in the PRC market.

During the Review Period, the Group, through Mindway Holdings Limited, set up a joint venture, Guangzhou Tokai Minth Automotive Parts Co., Ltd. with Japanese Donghai Xinye Co., Ltd. (日本東海興業株式會社) and MITSUI & CO., LTD. The joint venture has a registered capital of US\$2.5 million. The joint venture partners hold 48%, 49% and 3% equity interest, respectively. The company principally engages in business with Guangzhou Toyota Motor Co., Ltd and Guangzhou Honda Automobile Co., Ltd., for the purposes of providing supply and sales services to these customers.

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In May and June of 2006, the Group, through Sinoone Holdings Limited and Decade Industries Limited, reached an agreement with an independent third party to jointly operate Jiaxing Minrong Automotive Parts Co., Ltd (“Jiaxing Minrong”) and Jiaxing EL Triumph Automotive Parts Co., Ltd (“Jiaxing EL Triumph”) in China, each with a registered capital of US\$1.51 million and US\$1.7 million, respectively. Sinoone Holdings Limited holds a 70% equity interest in Jiaxing Minrong, and Decade Industries Limited holds an 80% equity interest in Jiaxing EL Triumph. The move will further enhance the Group’s technology and capability in the comprehensive metal surface treatment of auto-parts.

In April 2006, the Group, through Sinoone Holdings Limited, reached an agreement with an independent third party to jointly set up Jiaxing Shinyou Mold Tech Co., Ltd. (“Jiaxing Shinyou”) in Jiaxing. Jiaxing Shinyou will have a registered capital of US\$5 million, and will mainly engage in the R&D, design and manufacture of plastic injection moulds for auto parts. The Group will own a 50% equity interest in Jiaxing Shinyou.

In June 2006, the Group, through Sinoone Holdings Limited, reached an agreement with an independent third party to jointly set up Ningbo Xinhong Precious Machine Co., Ltd. (“Ningbo Xinhong”) with a registered capital of US\$1.5 million. The company



will engage in the R&D, design and manufacture of stamping dies. The Group will own a 50% equity interest in Ningbo Xinhong.

In June 2006, the Group, through Forecast Industries Limited, reached an agreement with Altia Hashimoto Co., Ltd (a subsidiary of a company listed on the Tokyo Stock Exchange) to jointly set up Jiaxing Minth Hashimoto Automotive Parts Co., Ltd. (“Jiaxing Minth Hashimoto”) in Jiaxing with a registered capital of US\$8 million. Jiaxing Minth Hashimoto will engage in the development, manufacture and sales of auto-parts for external parts of the automobiles and the provision of after-sales services and technical services. The Group will own a 50% equity interest in Jiaxing Minth Hashimoto. We believe that Jiaxing Minth Hashimoto will further benefit the Group’s business relationship with Nissan and Honda in China.

**New subsidiary**

To further enhance and develop the design capability of the Group and in satisfaction to customers’ demand, in May 2006, the Group, through Sinoone Holdings Limited, set up an indirect wholly owned subsidiary, Shanghai Cogen Research and Design Co., Ltd. (“Shanghai Cogen”) in Shanghai with a registered capital of US\$600,000. Shanghai Cogen mainly engages in the design of automobile exterior, interior decorative parts and automobile face lifting/minor changing development.

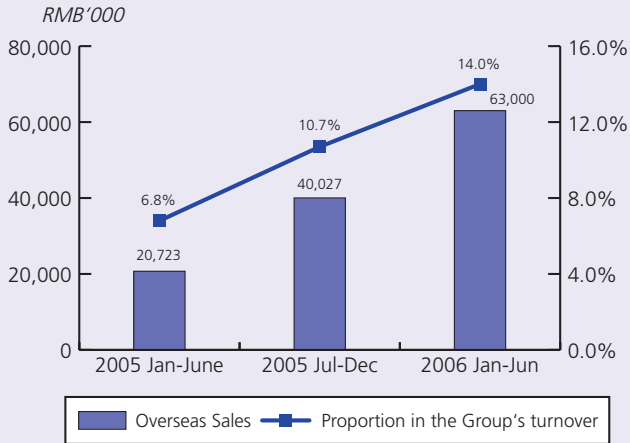
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The Directors believe that the abovementioned layout of joint ventures and new subsidiary will have great significance in completing the Group’s strategic layout, and will solidify the Group’s leading position in the Chinese market. It will enhance the Group’s ability in product design and manufacturing, thereby making the Group an integrated auto-part enterprise engaging in the design, manufacture and sale of exterior auto-parts.

**Overseas market**

During the Review Period, the Group’s turnover in the overseas market was RMB63,000,000, increased by approximately RMB42,277,000 and RMB22,973,000, or 204.0% and 57.4% as compared to the first and second halves of 2005, respectively.

	Six months ended 30th June, 2005		Six months ended 31st December, 2005		Six months ended 30th June, 2006	
	RMB’000	%	RMB’000	%	RMB’000	%
Overseas sales	<u>20,723</u>	6.8%	<u>40,027</u>	10.7%	<u>63,000</u>	<u>14.0%</u>



During the Review Period, in addition to consolidating its existing overseas businesses, the Group further pursued the overseas markets in North America, Europe, Australia and Japan and successfully obtained sales contracts or concurrent design assignments in these areas with major automakers such as General Motors in the US, CAMI in Canada, SAAB, General Motors and Ford in Australia, and Nissan. Some new craftwork and technology that the Group has recently been dedicating itself to has been employed in such contracts or assignments.

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The Group has also set up an office in Detroit, USA, and has its staff stationed there to deal with the Group's sales and after-sales service business in the North American market. Meanwhile, the Group is further contemplating the business opportunities in Southeast Asia which includes the setting up of manufacturing facilities or liaison offices.

In February 2006, the Group signed a service contract for a term of two years with Sojitz Corporation, one of the major trading companies in Japan. This contract will be renewed automatically if no termination notice is received. The Group can benefit from Sojitz's global business network with proper pricing, which can provide relevant business information and necessary auxiliary service resources.

## Research and Development

During the Review Period, the Group, in enhancing its comprehensive R&D capability, made several important arrangements, including (i) the set up of Shanghai Cogen to engage in the design of automobile exterior, interior decorative parts and automobile face lifting/minor changing development, which stands in a leading position in such area. The Group's existing technology center's industrialized R&D and trial-manufacturing business together with Shanghai Cogen will help to extend the Group's value chain of design and R&D by providing customers with a more complete and extensive co-current design and R&D service, as well as leading customer design demand; (ii) further classifying its model R&D unit and setting up Jiaxing Shinyou and Ningbo Xinhong with experienced independent third parties, who engage in R&D and design of plastic injection moulds and stamping dies for auto parts respectively; and (iii) a "research institute of technology center" set up by the technology department in order to provide and equip important departments with relevant resources. The research projects launched mainly include new product projects such as electric rolling doors for automobiles.

## PRC policy environment

In March 2006, the State Council of China promulgated a notice on accelerating structural adjustment on industries with excessive production capacity (the "Notice"), and classified the automobile industry as one of the industries with excessive production capacity. The Notice aims to further enhance the development of the automobile industry through orderly market competition and the encouragement of proprietary brands and proprietary product, which can help reduce disorder competition in the automobile and automobile parts markets, and can encourage more automobile parts to be manufactured in China. Since the Group adopts the customers identifying strategy and its existing major customers are China's major 6+3 automobile makers, the Notice did not have a material adverse effect on the Group's business.

## Financial review

During the Review Period, the Group achieved sound performance with both turnover and substantial profit growth.

For the six months ended 30th June, 2006, mainly benefited from the consolidation of its existing market and expansion into new markets, the Group's turnover was approximately RMB449,321,000, representing an increase of 47.0% and 20.5% respectively, as compared to the first and second halves of 2005, respectively.

For the six months ended 30th June, 2006, the Group's profit attributable to shareholders was approximately RMB126,490,000, representing an increase of 24.8% and 35.0% as compared to the first and second halves of 2005, respectively. This was mainly due to the Group's focus on cost and expense control, while continuing to increase its turnover to maintain a stable profitability.

### Key Financials

	<b>Six months ended 30th June, 2006 RMB'000</b>	Six months ended 31st December, 2005 <i>RMB'000</i>	Six months ended 30th June, 2005 <i>RMB'000</i>
Turnover	<b>449,321</b>	372,897	305,709
Gross Profit	<b>177,962</b>	147,480	124,485
Profit before taxation	<b>138,635</b>	100,657	109,630
Taxation	<b>(7,519)</b>	(4,428)	(7,751)
Minority interests	<b>(4,626)</b>	(2,503)	(538)
Profit attributable to equity holders of the Company	<b><u>126,490</u></b>	<u>93,726</u>	<u>101,341</u>

### Cost Control

During the Review Period, the Group's gross profit margin decreased by 1.1% point to 39.6% as compared to same period in 2005. The decrease was due to the decrease in passenger car prices. In order to maintain the current gross profit margin level, the Group has undertaken the following procedures: i) tightening cost control through sourcing materials domestically; ii) improving manufacturing skills to increase productivity and iii) introducing new products.

### Distribution and Selling Expenses

During the Review Period, the Group's total distribution and selling expenses amounted to approximately RMB12,628,000, with an increase of 198.3% as compared to the first half of 2005, and an increase of 13.1% compared to the second half of 2005. This accounted for approximately 2.8% of the Group's turnover (as compared to the 1.4% and 3%, respectively, of the first and second halves of 2005). The main reason for the change was that since the second half of 2005, the Group expanded its development in the overseas market and the headcount of sales staff increased, with an increase in both employee compensation and expenses arising from business activities.

## Administrative Expenses

During the Review Period, the Group had administrative expenses of approximately RMB43,626,000, with an increase of 62% and a decrease of 4.2% in comparison to the first and second halves of 2005 (if the listing expenses of RMB8,800,000 incurred in the second half of 2005 had been deducted, then there would have been an increase of 18.8%). The main reasons for the change were that there had been an increase in the number of managerial roles and recruitment of higher level talent and the rapid growth of the Group resulted in increases in remuneration and welfare expenditure. In addition, the listing involved extra costs in comparison with the same period of 2005.

## Taxation

During the Review Period, the Group's actual tax rate reduced by 1.7% point from 7.1% in the same period of last year to 5.4%. The main reason for this was that during the Review Period, two subsidiaries that had been benefited from tax exemptions tax free status over the last two years made significant profit increases, and their share of the Group's profit increased from 16.4% in the same period last year to 35.8%, resulting in a reduction in the average tax rate.

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## Liquidity and Financial Situation

On 30th June, 2006, the Group's bank balances and cash totaled RMB282,318,000; a decrease of approximately RMB183,222,000 on 31st December, 2005. The main reason for this was that the Group expanded its business scale and used funds raised from the Listing, according to its original plan, to buy real estate, build factories and facilities, and carry out a series of investments solidifying and developing strategic alliances.

As of 30th June, 2006, the net cash flow of the Group's business activity was RMB87,845,000, which was in a sound status.

Receivables turnover days were approximately 67 days; a decrease of 13 and 23 days respectively, as compared to 80 days on 31st December, 2005 and 90 days on 30th June, 2005. This was mainly due to the Group's strengthened trade account receivable control and tracing activities.

Payables turnover days were approximately 66 days; a decrease of 11 and 10 days respectively, as compared to 77 days on 31st December, 2005 and 76 days on 30th June, 2005. This was mainly due to the fact that the Group agreed to reduce the credit period with its suppliers as a trade off for better procurement prices.

Inventories turnover days were approximately 85 days; a decrease of 9 and 5 days respectively, as compared to 94 days on 31st December, 2005 and 90 days on 31st June, 2005. This was mainly due to the Group's strengthened inventory management and improvement on inventory balance control.

As of 30th June, 2006, the Group's current ratio was 2.4, with a slight decrease comparing to the figure of 2.7 in 2005.

As of 30th June, 2006, the Group's gearing ratio has decreased from 16.4% in 2005 to 9.4%.

*Note:* the calculation methods for the above indicators are the same as those set out in the prospectus of the Company dated 22nd November, 2005.

The Group believes that during the Review Period, the promising sales, production, and R&D performance, and healthy cash reserves have provided the Company a basis for continuing growth.

### Capital Commitments

As of 30th June, 2006, the Group had the following commitments:

	<i>RMB'000</i>
Operating lease arrangements	3,855
Capital commitments	113,951

Operating lease arrangements mean the lowest leasing fee the Group will pay in the future for land leased by the Group. Capital commitments mean the capital expenditure for the purchase of property, plants and equipment for which agreements have been signed but payment has not yet made and also mean agreed investments in jointly controlled entities and associated companies.

### Interest Rate and Foreign Exchange Risks

Since the Group's procurement and sales are mainly based in China, the relevant exchange rate risks to be faced are relatively minimal. However, as overseas businesses increase, management shall closely monitor such risks and consider hedging significant foreign currency exposure should the need arise.

### **Contingent Liabilities**

As of 30th June, 2006, the Group had no contingent liabilities (2005: Nil).

### **Mortgaged Assets**

As of 30th June, 2006, the Group had no mortgaged assets (2005: Nil).

### **Capital Expenditure**

During the year ended 30th June, 2006, the Group's investment in property, plant and equipment, construction in progress and land use rights amounted to RMB106,659,000. These capital investments were attributable to the expansion of facilities in the Group's subsidiaries such as Jiaxing Minhui, Guangzhou Minrui, Tianjin Shintai, etc.

### **Major Acquisitions and Sales**

Apart from the related items described in the "Cooperation and Network Layout" section in this report, the Group made no major sales or purchases in the period under review.

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### **Employees**

As of 30th June, 2006, the Group had a total number of 2,454 employees, an increase of a number of 613 in comparison to the end of 2005. This increase was the result of the establishment of new subsidiaries and expansion of the manufacturing capability of existing production equipment. In accordance with the Group's continuing and stable human resources management policy, medical and pension scheme and other benefits are provided. Commercial medical insurance is also provided for selected employees to properly supplement the statutory medical insurance.

### **Share Options**

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

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. All directors, employees, and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, services 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 Share of Minth in issue on the Listing Date ("General Scheme Limit"). The Company may renew the General Scheme Limited with shareholders' approval provided that each such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders' approval.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time.

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

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

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



The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of shares as stated in the daily quotations sheets issued by the Hong Kong 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 Hong Kong 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.

### **Outlook and Strategy**

With the continuing growth of the disposable income levels and the Chinese economy, the influence of automobile industry policy is gradually increasing, and as material price oscillations has flattened out, various passenger vehicle manufacturers are increasing their investment in China. It is widely believed that, over the next year, the China passenger vehicle market will have continuous growth.

The Group will continue to adopt the customer identifying strategy, the centralized procurement and supplier management system and will expand its existing R&D and design resources including (i) maintaining firm business relations with the main passenger vehicle manufacturers in China, including domestic brands, (ii) promoting overseas sales and improving existing sales channels, (iii) further integration of design and industrial R&D, trial manufacturing resource allocation and the coordination mechanism, upgrade of technical capability and strengthening group core competitiveness, (iv) carefully selecting opportunities in Southeast Asia to establish production facilities or engage in joint investment with a suitable partner in such area.

The Group, with its leading position already achieved in the industry, and high quality products and service, will be able to take advantage of the upcoming opportunities in the passenger vehicle part market provided to the customers, although stiff competition exists in the China passenger car market. At the same time, as it benefits from the growth of the industry, the Group will sustain and strengthen its leading position in the market.

### **Dividend Policy**

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2006.

## OTHER INFORMATION

### Substantial Shareholders

As at 30th June, 2006, the interests or short positions of substantial shareholders, other than the Directors or chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO are as follows:

Name of Substantial Shareholder	Capacity	Long/short position	Number of Shares	Percentage of the Company's Issued Share Capital
Wei Ching Lien	Interest of controlled corporation and interest of spouse	Long position	480,000,000 (Note 1)	57.83%
Linkfair	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%

- 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.

## Director's and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation

At 30th June, 2006, the interests and short positions of the directors and the chief executives in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

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	the Company	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 30th June, 2006, none of the directors, chief executives and their associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## Purchase, Sale, or Redemption of Listed Shares

During the Review Period, the Company had not redeemed any of its listed shares. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the Review Period.

### **Compliance With the Code on Corporate Governance Practices and Compliance With Model Code**

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

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

### **Audit Committee**

The Company has an audit committee consisting of three independent non-executive directors, Mr. Heng Kwo Seng (chairman of the audit committee), Mr. Wang Ching and Mr. Zhang Liren. The committee reviews the systems of internal controls throughout the Group and the completeness and accuracy of its financial statements and liaises on behalf of the directors with external auditors. The committee members shall meet regularly with management and external auditors to review audit reports, if applicable, and the interim and annual financial statements, as the case may be, of the Group. It has reviewed the unaudited consolidated financial statements for the six months ended 30th June, 2006, and recommended their adoption by the Board.

**Chin Jong Hwa**  
*Chairman*  
**Mint Group Limited**

24th August, 2006

## CONDENSED CONSOLIDATED INCOME STATEMENTS

		<b>Six months ended 30th June,</b>	
	<i>NOTES</i>	<b>2006 (Unaudited) RMB'000</b>	2005 (Audited) RMB'000
Turnover		<b>449,321</b>	305,709
Cost of goods sold		<b>(271,359)</b>	(181,224)
Gross profit		<b>177,962</b>	124,485
Other income		<b>12,052</b>	15,034
Distribution and selling expenses		<b>(12,628)</b>	(4,234)
Administrative expenses		<b>(43,626)</b>	(26,935)
Profit from operations		<b>133,760</b>	108,350
Interest on bank borrowings wholly repayable within five years		<b>(1,679)</b>	(2,922)
Share of profits of associates		<b>7,521</b>	4,202
Share of loss of jointly controlled entities		<b>(967)</b>	–
Profit before taxation	3	<b>138,635</b>	109,630
Taxation	4	<b>(7,519)</b>	(7,751)
Profit for the period		<b>131,116</b>	101,879
Attributable to:			
Equity holders of the Company		<b>126,490</b>	101,341
Minority interests		<b>4,626</b>	538
Dividends	5	<b>28,212</b>	114,915
Distribution		<b>–</b>	40,303
Earnings per share – basic	6	<b>RMB0.152</b>	RMB0.169

**CONDENSED CONSOLIDATED BALANCE SHEETS**

		<b>At 30th June, 2006 (Unaudited) RMB'000</b>	At 31st December, 2005 (Audited) RMB'000
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment	7	<b>528,909</b>	459,318
Lease premium for land		<b>52,340</b>	47,365
Intangible assets		<b>10,912</b>	11,186
Goodwill	8	<b>10,635</b>	–
Investment in jointly controlled entities		<b>11,030</b>	8,071
Interest in associates		<b>29,876</b>	31,233
		<b>643,702</b>	557,173
Current assets			
Lease premium for land		<b>1,256</b>	1,096
Inventories	9	<b>187,897</b>	175,940
Trade and other receivables and prepayments	10	<b>264,971</b>	199,531
Amounts due from related companies	11	<b>10,316</b>	–
Pledged bank deposits		<b>1,854</b>	7,856
Bank balances and cash		<b>282,318</b>	465,540
		<b>748,612</b>	849,963
Current liabilities			
Trade and other payables	12	<b>174,494</b>	203,134
Taxation payable		<b>4,577</b>	956
Short-term bank loans	13	<b>131,214</b>	114,695
		<b>310,285</b>	318,785
Net current assets		<b>438,327</b>	531,178

		<b>At 30th June, 2006 (Unaudited) RMB'000</b>	At 31st December, 2005 (Audited) RMB'000
Total assets less current liabilities		<b><u>1,082,029</u></b>	<u>1,088,351</u>
Non-current liabilities			
Long-term bank loans		–	115,557
Net assets		<b><u>1,082,029</u></b>	<u>972,794</u>
Capital and reserves			
Share capital	14	<b>86,345</b>	86,345
Reserves		<b><u>955,624</u></b>	<u>861,280</u>
Equity attributable to equity holders of the Company		<b><u>1,041,969</u></b>	947,625
Minority interests		<b><u>40,060</u></b>	<u>25,169</u>
Total equity		<b><u>1,082,029</u></b>	<u>972,794</u>

The financial statements on pages 22 to 40 were approved and authorised for issue by the Board of Directors on 11th August, 2006 and are signed on its behalf by:

**Shi Jian Hui**  
DIRECTOR

**Liang Current Tien Tzu**  
DIRECTOR



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital	Share premium	Special reserve	Other reserve	Statutory surplus reserve fund	Enterprise expansion fund	Exchange reserve	Retained profits	Attributable to equity holders		Total
									Company	Minority interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2006	86,345	421,673	276,199	19,511	18,984	10,207	(235)	114,941	947,625	25,169	972,794
Profit for the period	-	-	-	-	-	-	-	126,490	126,490	4,626	131,116
Transfer	-	-	-	-	7,902	650	-	(8,552)	-	-	-
Exchange difference arising on translation of overseas operations	-	-	-	-	-	-	(3,895)	-	(3,895)	-	(3,895)
Capital contributions	-	-	-	-	-	-	-	-	-	10,276	10,276
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	(39)	(39)	756	717
Dividend Paid	-	-	-	-	-	-	-	(28,212)	(28,212)	(767)	(28,979)
At 30th June, 2006	<u>86,345</u>	<u>421,673</u>	<u>276,199</u>	<u>19,511</u>	<u>26,886</u>	<u>10,857</u>	<u>(4,130)</u>	<u>204,628</u>	<u>1,041,969</u>	<u>40,060</u>	<u>1,082,029</u>
At 1st January, 2005	236,483	-	-	-	8,727	568	-	144,976	390,754	40,062	430,816
Capital contributions	39,727	-	-	-	-	-	-	-	39,727	-	39,727
Arising on Group Reorganisation	(276,199)	-	276,199	19,511	-	-	-	-	19,511	-	19,511
Distribution	-	-	-	-	-	-	-	(40,303)	(40,303)	-	(40,303)
Deemed acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	(328)	(328)
Profit for the period	-	-	-	-	-	-	-	101,341	101,341	538	101,879
Transfers	-	-	-	-	10,223	-	-	(10,223)	-	-	-
Dividends for 2004	-	-	-	-	-	-	-	(114,915)	(114,915)	(18,475)	(133,390)
At 30th June, 2005	<u>11</u>	<u>-</u>	<u>276,199</u>	<u>19,511</u>	<u>18,950</u>	<u>568</u>	<u>-</u>	<u>80,876</u>	<u>396,115</u>	<u>21,797</u>	<u>417,912</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th June,	
	2006 (Unaudited) RMB'000	2005 (Audited) RMB'000
Operating activities		
Profit for the period	131,116	101,879
Adjustments for:		
Interest income	(3,333)	(445)
Interest expenses	1,679	2,922
Income tax expense	7,519	7,751
Depreciation of property, plant and equipment	18,084	17,172
Amortization of intangible assets	1,638	1,005
Amortization of prepaid lease premium for land	487	511
Loss (gain) on disposal of property, plant and equipment	(171)	627
Discount arising on a deemed acquisition of additional interests in a subsidiary	-	(328)
Share of profits of an associate	(6,554)	(4,202)
Allowance for inventories (written back)	(819)	299
Allowance for bad and doubtful debts (written back)	(19)	(1,498)
Operating cash flows before movements in working capital	149,627	125,693
Increase in inventories	(5,601)	(25,046)
Decrease (increase) in trade and other receivables	(35,428)	259
Decrease in trade and other payables	(16,855)	(11,326)
Cash from operations	91,743	89,580
PRC income tax paid	(3,898)	(4,691)
Net cash from operating activities	<u>87,845</u>	<u>84,889</u>
Investing activities		
Interest received	3,333	445
Purchase of property, plant and equipment	(101,038)	(49,155)
Investment in joint ventures	(23,442)	-
Investment in a subsidiary	(20,023)	-
Proceeds from disposal of property, plant and equipment	475	7
Prepaid rentals for lease premium for land	(5,621)	-
Purchase of intangible assets	(1,364)	(1,221)
Repayment from (advances to) related companies	-	9,109
Repayment from a director	-	21,540
(Increase) decrease in pledged bank deposits	6,002	(22,436)
Net cash used in investing activities	<u>(141,678)</u>	<u>(41,711)</u>

	Six months ended 30th June,	
	2006 Unaudited RMB'000	2005 Audited RMB'000
Financing activities		
Interest paid	(1,679)	(2,922)
Dividends paid	(28,212)	(191,801)
Dividends paid to minority owners of subsidiaries	(2,390)	(18,384)
Capital contributions from equity holders of the Company	-	39,727
Capital contributions from minority owners of subsidiaries	5,825	1,628
Distribution during the Group Reorganisation	-	(37,010)
Repayment to related companies	-	(20,945)
Bank loans raised	130,300	275,803
Repayment of bank loans	(229,338)	(113,140)
Repayment of other loans	-	(18,066)
	<u>(125,494)</u>	<u>(85,110)</u>
Net cash used in financing activities		
	<u>(125,494)</u>	<u>(85,110)</u>
Net decrease in cash and cash equivalents	(179,327)	(41,932)
Cash and cash equivalents at beginnings of the period	465,540	86,380
Effect of foreign exchange rate changes	(3,895)	-
	<u>282,318</u>	<u>44,448</u>
Cash and cash equivalents at the end of the period		
	<u>282,318</u>	<u>44,448</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u>282,318</u>	<u>44,448</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed interim financial statements are unaudited, but have been reviewed by the Audit Committee.

The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31st December, 2005.

### 2. TURNOVER AND SEGMENT INFORMATION

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

#### 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

Turnover breakdown by the regions are as follows:

Regions	Six months ended 30th June,			
	2006		2005	
	RMB'000	%	RMB'000	%
PRC	386,321	86.0	284,986	93.2
Overseas sales	63,000	14.0	20,723	6.8
Total	<u>449,321</u>		<u>305,709</u>	

**3. PROFIT BEFORE TAXATION**

	Six months ended 30th June,	
	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Profit before taxation has been arrived at after charging:		
Cost of inventories as expenses	<b>271,359</b>	181,224
Directors' remuneration	<b>1,696</b>	188
Other staff's retirement benefits scheme contributions	<b>1,566</b>	1,084
Other staff costs	<b>41,848</b>	29,514
Total staff costs	<b>45,110</b>	30,786
Less: Staff costs included in research and development costs	<b>(2,299)</b>	(3,249)
	<b>42,811</b>	27,537
Depreciation of property, plant and equipment	<b>18,084</b>	17,172
Less: Depreciation included in research and development costs	<b>(2,352)</b>	(1,883)
	<b>15,732</b>	15,289
Amortization of intangible assets	<b>1,638</b>	1,005
Allowance for inventories	–	299
Loss (gain) on disposal of property, plant and equipment	<b>(171)</b>	627
Operating lease rentals of buildings	<b>1,235</b>	621
Amortization of prepaid land premium	<b>487</b>	511
Research and development costs	<b>13,932</b>	13,127
Profit before taxation has been arrived at after crediting:		
Property rental income	<b>1,866</b>	2,110
Less: Outgoings	<b>(347)</b>	(640)
	<b>1,519</b>	1,470
Allowance for bad and doubtful debts written back	<b>19</b>	1,498
Allowance for provision for inventories written back ( <i>note 1</i> )	<b>819</b>	–
Discount arising on a deemed acquisition of additional interests in a subsidiary	–	328
Government subsidies ( <i>note 2</i> )	<b>1,099</b>	3,843
Interest income	<b>3,333</b>	445
Net foreign exchange gain	<b>2,276</b>	2,054

*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.

#### 4. TAXATION

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

Pursuant to the relevant laws and regulations in the PRC, certain 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 period is reconciled to the profit before taxation as follows:

Regions	Six months ended 30th June,			
	2006		2005	
	RMB'000	%	RMB'000	%
Profit before taxation	138,635		109,630	
Tax at the applicable income tax rate	(20,795)	(15.0)	(16,445)	(15.0)
Tax effect of expenses not deductible for tax purposes	(472)	(0.3)	(426)	(0.4)
Effect of tax holidays	14,768	10.7	9,906	9.0
Tax effect of different tax rates of subsidiaries	(689)	(0.5)	(86)	(0.1)
Others	(331)	(0.3)	(700)	(0.6)
Tax charge and effective tax rate for the period	<u>(7,519)</u>	<u>(5.4)</u>	<u>(7,751)</u>	<u>(7.1)</u>

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

5. DIVIDENDS

Name of companies	Six months ended 30th June,	
	2006 RMB'000	2005 RMB'000
The Company	28,212	–
Chongqing Changtai Automobile Spare Parts Co., Ltd.	–	5,406
Guangzhou Minhui Automobile Parts Co., Ltd.	–	54,377
Relevant Business of Ningbo Guoya (as defined in the prospectus of the Company dated 22nd November, 2005)	–	23,097
Ningbo Shin Tai Machines Co., Ltd.	–	50,510
	<b>28,212</b>	133,390
Less: Dividends to minority owners of subsidiaries	–	18,475
	<b>28,212</b>	<b>114,915</b>

Dividend of the Company were declared in the first half of this year, other dividends represented the dividends of the subsidiaries declared for prior years' distributable profit to their owners before the Reorganisation.

6. EARNINGS PER SHARE

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

Earnings for the purpose of basic earnings per share (profit for the period attributable to equity holders of the Company)	Six months ended 30th June,	
	2006 RMB'000	2005 RMB'000
	<b>126,490</b>	101,341

	<b>Number of ordinary shares Six months ended 30th June,</b>	
	<b>2006</b>	2005
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u><b>830,000,000</b></u>	<u>600,000,000</u>

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, 2005.

No diluted earnings per share have been presented for both periods as there were no dilutive potential ordinary shares in both periods.

## 7. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately RMB87,980,000 (2005: RMB57,982,000).

In addition, the Group disposed of certain P.P.E with a carrying amount of RMB304,000 (2005: RMB634,000) for proceeds of RMB475,000 (2005: RMB7,000), resulting in a profit on disposed of RMB171,000 (2005: a loss of RMB627,000) for the period.

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## 8. GOODWILL

	<i>RMB'000</i>
<b>Cost</b>	
At 1st January, 2006	–
Arising on acquisition of a subsidiary	<u>10,635</u>
At 30th June, 2006	<u>10,635</u>
<b>Impairment</b>	
Impairment loss recognised during the period and balance at 30th June, 2006	<u>–</u>
<b>Carrying Amount</b>	
At 1st January, 2006	–
At 30th June, 2006	<u>10,635</u>



9. INVENTORIES

	<b>At 30th June, 2006 RMB'000</b>	At 31st December, 2005 RMB'000
Raw materials	<b>52,896</b>	49,306
Work in progress	<b>41,012</b>	48,826
Finished goods	<b>29,227</b>	23,233
Moulds	<b>64,762</b>	54,575
	<b><u>187,897</u></b>	<u>175,940</u>

10. TRADE AND OTHER RECEIVABLES

	<b>At 30th June, 2006 RMB'000</b>	At 31st December, 2005 RMB'000
Trade receivables		
– related companies	<b>28,906</b>	12,945
– associate	<b>17,022</b>	10,637
– third parties	<b>141,672</b>	126,724
	<b><u>187,600</u></b>	150,306
Bills receivables	<b>27,512</b>	22,468
	<b>215,112</b>	172,774
Prepayment for purchase of raw materials	<b>20,224</b>	19,499
Other receivables	<b>29,635</b>	7,258
	<b><u>264,971</u></b>	<u>199,531</u>

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:

Age	<b>At 30th June, 2006 RMB'000</b>	At 31st December, 2005 RMB'000
0 – 90 days	<b>203,258</b>	167,228
91 – 180 days	<b>10,569</b>	2,138
181 – 365 days	<b>808</b>	3,347
1 – 2 years	<b>857</b>	489
Over 2 years	<b>7,131</b>	7,125
	<b>222,623</b>	180,327
Allowance for bad and doubtful debts	<b>(7,511)</b>	(7,553)
	<b>215,112</b>	172,774

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

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<b>Original currency</b>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>AUD</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 30th June, 2006	<u>2,558</u>	<u>29,014</u>	<u>2</u>	<u>490</u>	<u>32,064</u>
At 31st December, 2005	<u>–</u>	<u>17,537</u>	<u>1,258</u>	<u>426</u>	<u>19,221</u>

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

## 11. AMOUNTS DUE FROM RELATED COMPANIES

The amounts were dividend receivable from one of the Group's associate which equaled to RMB10,316,000.

12. TRADE AND OTHER PAYABLES

	At 30th June, 2006 RMB'000	At 31st December, 2005 RMB'000
Trade payables		
– associate	3,519	1,244
– third parties	<u>104,135</u>	<u>80,398</u>
	<b>107,654</b>	81,642
Bills payables	<u>11,720</u>	<u>31,147</u>
	<b>119,374</b>	112,789
Payroll and welfare payables	14,761	14,569
Advance payment from customers	6,987	10,639
Consideration payable of acquisition of property, plant and equipment	18,586	40,390
Dividend payable to minority owners of subsidiaries	767	2,390
Other payables	<u>14,019</u>	<u>22,357</u>
	<u><b>174,494</b></u>	<u>203,134</u>

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

	At 30th June, 2006 RMB'000	At 31st December, 2005 RMB'000
Age		
0 to 90 days	111,250	110,427
91 to 180 days	5,519	1,692
181 to 365 days	2,051	153
1 to 2 years	137	497
Over 2 years	<u>417</u>	<u>20</u>
	<u><b>119,374</b></u>	<u>112,789</u>

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

<b>Original currency</b>	<b>JPY</b> <i>RMB'000</i>	<b>EUR</b> <i>RMB'000</i>	<b>USD</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 30th June, 2006	<u>4,994</u>	<u>21</u>	<u>2,854</u>	<u>7,869</u>
At 31st December, 2005	<u>1,905</u>	<u>–</u>	<u>4,687</u>	<u>6,592</u>

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

### 13. SHORT-TERM BANK LOANS

The carrying amounts included in the Group's short-term bank loans of RMB0 and RMB33,895,000 at 30th June, 2006 and 31st December, 2005, respectively are denominated in USD which exposed the Group to currency risk:

The short-term bank loans as at 30th June, 2006 and 31st December, 2005 carry interest at rates ranging from 2.22% to 4.86% and 4.5% to 5.2% respectively.

The carrying amounts included in the Group's short-term bank loans of RMB131,213,000 and RMB80,800,000 at 30th June, 2006 and 31st December, 2005 respectively are arranged at fixed interest rates which exposed the Group to fair value interest rate risk.

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

### 14. SHARE CAPITAL

#### At 30th June, 2006 & at 31st December, 2005

	<b>Number of Shares</b>	<b>Amount <i>HK\$'000</i></b>
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Ordinary shares of HK\$0.1 each

Authorised:

– On the date of incorporation	3,800,000	380
– Increase during the period	<u>4,996,200,000</u>	<u>499,620</u>
	<u>5,000,000,000</u>	<u>500,000</u>

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

**15. 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:

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	<b>At 30th June, 2006 RMB'000</b>	At 31st December, 2005 RMB'000
Within one year	<b>1,321</b>	728
In the second to fifth year inclusive	<b>1,473</b>	453
After five years	<b>137</b>	816
	<hr/>	<hr/>
	<b>2,931</b>	1,997
	<hr/> <hr/>	<hr/> <hr/>

Operating lease payments represent rentals payable by the Group for certain of its properties.

### The Group as lesser

The Group rents out a part of its buildings under operating lease. Property rental income earned during the period was RMB1,866,000.

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

	<b>At 30th June, 2006 RMB'000</b>	At 31st December, 2005 RMB'000
Within one year	<b>2,348</b>	680
In the second to fifth year inclusive	<b>1,507</b>	54
	<b><u>3,855</u></b>	<u>734</u>

### 16. CAPITAL COMMITMENTS

	<b>At 30th June, 2006 RMB'000</b>	At 31st December, 2005 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	<b>47,808</b>	46,285
Investment in jointly controlled entities	<b>57,985</b>	4,035
Investment in an associate	<b>8,158</b>	-
	<b><u>113,951</u></b>	<u>50,320</u>

### 17. 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.

**18. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS**

The Group has the following significant transactions with related/connected parties during the period:

Relationship with related/connected party	Nature of transactions	Six months ended 30th June,	
		2006 RMB'000	2005 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
	Purchase of raw materials	-	13,959
	Purchase of property, plant and equipment	-	2,484
	Proceeds from disposal of property, plant and equipment received	-	149
	Property rentals received	-	914
	Testing service income	-	13
	Interest income	-	204
Associate, in which the Company has 48% equity interest	Sales of goods	<b>37,389</b>	19,458
	Purchase of raw materials	<b>3,161</b>	80
	Proceeds from disposal of property, plant and equipment received	<b>370</b>	54
	Property rentals received	<b>700</b>	864
	Testing services income received	-	8
	Purchase of property, plant and equipment	<b>199</b>	-
	Minority owners of subsidiaries	Technology support services fees paid	<b>2,142</b>
	Purchase of raw material	<b>914</b>	-
	Sales of goods	<b>849</b>	-
Companies in which a minority owner of a subsidiary has interests	Sales of goods	<b>45,333</b>	37,458
Joint controlled entity	Sales of goods	<b>133</b>	-
	Property rentals received	<b>68</b>	-

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.