

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.

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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.

24**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)
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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.

25**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 (<i>Note</i>)	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.

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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.

 27**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 <i>(Note 1)</i>	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 <i>(Note 2)</i>	7.71%
Baring Private Equity Asia GP III, LP	Interest of controlled Corporation	Long position	64,002,000 <i>(Note 3)</i>	7.71%
Baring Private Equity Asia GP III Limited	Interest of controlled Corporation	Long position	78,000,000 <i>(Note 4)</i>	9.40%
Salata Jean Eric	Interest of controlled corporation and interest of spouse	Long position	90,000,000 <i>(Note 5)</i>	10.84%
Pong Melania	Interest of controlled corporation and interest of spouse	Long position	90,000,000 <i>(Notes 5 and 6)</i>	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.

Chongqing 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.

 31**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