Notes to the Consolidated Financial Statements

For the year ended 31 December, 2006

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

The Company was incorporated under the Company Law of the Cayman Islands on 22 June, 2005 and registered as an exempted company with limited liability. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'') since 1 December, 2005. The Company acts as an investment holding company with its subsidiaries engaged in the design, develop, manufacture, process and sales of exterior automobile body parts and moulds. The principal activities of the Company's subsidiaries are set out in note 33.

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

The Group comprising the Company and its subsidiaries and the Relevant Business resulting from a group reorganisation on 30 June, 2005 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 year ended 31 December, 2005 include results of the Company, its subsidiaries and the Relevant Business effect from their respective date of incorporation or establishment where this is a shorter period.

The financial statements are presented in Renminbi (''RMB''), which is same as the functional currency of the Company.

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

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

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

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

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

1 Effective for annual periods beginning on or after 1 January, 2007
2 Effective for annual periods beginning on or after 1 January, 2009
3 Effective for annual periods beginning on or after 1 March, 2006
4 Effective for annual periods beginning on or after 1 May, 2006
5 Effective for annual periods beginning on or after 1 June, 2006
6 Effective for annual periods beginning on or after 1 November, 2006
7 Effective for annual periods beginning on or after 1 March, 2007
8 Effective for annual periods beginning on or after 1 January, 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

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

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

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

For business combination that involves more than one exchange transaction through successive share purchases, each exchange transaction is treated separately, using the cost of the transaction and fair value information at the date of each exchange transaction, to determine the amount of any goodwill associated with that transaction.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary recognised at the date of acquisition. Such goodwill is carried at cost and less any accumulated impairment losses.

Goodwill arising on the acquisition of additional interest in a subsidiary represents the excess of the cost of the additional acquisition over the Group's share of additional interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

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

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in a subsequent period.

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

Investment in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the joint controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue recognition

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

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discount estimated future cash receipt through the expected life of the financial assets to that assets net carrying amount.

Property, plant and equipment

Construction in progress

Construction in progress is stated at cost, which includes construction costs and other direct costs, capitalised less any identified impairment loss. No depreciation is provided until the construction is completed and the assets are ready for intended use. Cost of completed construction work is transferred to the appropriate category of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Other property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

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

Operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as Lessor

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

Leasehold land

Interest in leasehold land is amortised over the lease term on a straight-line basis.

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). 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RMB using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposal of.

Borrowing costs

All borrowing costs are recognised in the consolidated income statement in the period incurred.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. The grants are recognised as other income in the consolidated income statement when there is reasonable assurance that the grants will be recovered unconditionally.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as when employees have rendered service entitling them to contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable 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. Deferred tax is charged or credited to the profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

Research and development expenditure

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

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Impairment

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 the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument.

Trade and other receivables, bank balances, pledged bank deposit and advances to joint venture partners

Trade and other receivables, bank balances, pledged bank deposit and advances to joint venture partners are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method less any identified impairment losses. 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.

Bank borrowings

Interest-bearing bank loans are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Equity Instruments

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

Consideration paid to reacquire the Company's own equity instruments are deducted from equity. No gain or loss is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. When the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill at the balance sheet date was approximately RMB11 million and no impairment loss is recorded in 2006. Details of the consideration of impairment of goodwill are provided in Note 14.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments to raise finance for the Group's operations comprise bank borrowings, bank balances and pledged bank deposits. The Group has various other financial instruments such as trade and bill receivables and trade and bill payables, which arise directly from its operations.

It is, and has been throughout the year, the Group's policy not to enter into trading of financial instruments including derivative transactions.

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2006

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The main risks arising from the Group's financial instruments are foreign currency risk, commodity price risk, credit risk, interest rate risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

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

(1) The exchange rate movements of Hong Kong Dollars and United States Dollars, as the Group has bank deposits denominated in these currency.

(2) Several subsidiaries of the Company also 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.

Credit risk

As at 31 December, 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

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.

The Group has concentration of credit risk for its advances to jointly venture partners. The directors consider the risk is insignificant.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's fair value interest rate risk relates to bank balances and fixed-rate bank borrowings. The Group has not entered into any interest rate hedging contracts or any other derivative financial instrument. The management closely monitors such risks and will consider hedging significant interest rate risk exposure should the need arise.

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 renewed and the Group has adequate unutilised bank facilities to finance the Group and manage the liquidity position.

6. BUSINESS AND GEOGRAPHICAL SEGMENT

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

Business segments

The Group's operation is regarded as a single business segment, being engaged in the manufacture and sales of exterior automobile body parts.

Geographical segments

The following table provides an analysis of the Group's sales by geographical markets, irrespective of the origin of the goods:

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2006

7. PROFIT BEFORE TAXATION

	2006 RMB'000	2005 RMB'000
Profit before taxation has been arrived at after charging:		
Cost of inventories as expense	**579,835**	406,641
Directors' remuneration *(note 8)*	**3,565**	1,552
Other staff's retirement benefits scheme contributions	**3,473**	2,576
Other staff costs	**95,339**	60,782
Total staff costs	**102,377**	64,910
Less: Staff costs included in research and development costs	**(6,752)**	(6,137)
	95,625	58,773
Auditor's remuneration	**2,586**	1,720
Depreciation of property, plant and equipment	**38,901**	32,382
Less: Depreciation included in research and development costs	**(4,893)**	(3,990)
	34,008	28,392
Amortisation of intangible assets (included in administrative expenses)	**3,410**	2,195
Allowance for bad and doubtful debts	**1,215**	—
Bad debts written off	**6,988**	—
(Gain) loss on disposal of property, plant and equipment	**(119)**	883
Operating lease rentals of buildings	**1,445**	1,596
Amortisation of prepaid land premium	**1,828**	1,088
Research and development costs	**32,256**	25,763
Profit before taxation has been arrived at after crediting:		
Property rental income	**3,015**	3,850
Less: Outgoings	**(437)**	(1,206)
	2,578	2,644
Allowance for bad and doubtful debts written back	**—**	1,282
Allowance for provision for inventories written back *(note a)*	**556**	612
Discount arising on an acquisition of additional interests in a subsidiary	**—**	328
Government subsidies *(note b)*	**2,152**	4,894
Interest income	**5,233**	2,473
Net foreign exchange gain	**624**	3,596

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

Note b: The amount represents the incentive subsidies granted by the PRC local government authorities to the Group for projects involving hi-tech know-how and product development. The government grants have been approved by and received from the PRC local government authorities.

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2005: nine) directors were as follows:

		Others emoluments		
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2006				
Executive directors:				
Chin Jong Hwa	—	600	12	612
Shi Jian Hui	—	569	5	574
Mu Wei Zhong	—	404	5	409
Chin Jung Huang	—	569	—	569
Zhao Feng	—	—	—	—
Liang Tien Tzu	—	936	12	948
	—	3,078	34	3,112
Non-executive directors:				
Shaw Sun Kan Gordon	—	—	—	—
Independent non-executive directors:				
Heng Kwoo Seng	151	—	—	151
Wang Ching	151	—	—	151
Zhang Liren	151	—	—	151
	453	—	—	453

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2006

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

		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
Shi Jian Hui	—	311	5	316
Mu Wei Zhong	—	265	4	269
Chin Jung Huang	—	426	—	426
Liang Tien Tzu	—	452	—	452
	—	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

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

During the year, the five highest paid individuals included four directors, (2005: one director) details of whose emoluments are set out above. The emoluments of the remaining one (2005: four) highest paid individuals were as follows:

	Salaries and other benefits RMB'000	Retirements benefits scheme contributions RMB'000	Total RMB'000
2006	494	—	494
2005	1,937	—	1,937

9. TAXATION

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

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group are entitled to exemption from PRC income tax for two years commencing from their first profit making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC income tax for the following three years (''Tax Holidays''). The tax holidays will expire in 2010.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2006

9. TAXATION (continued)

Note: Pursuant to PRC tax regulations, a subsidiary of the Group was eligible for an additional deduction of research and development expense in computation of income tax when certain conditions have been fulfilled. The application of deduction had been approved by the local tax authorities. This subsidiary did not apply for the additional deduction in current year.

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

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

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

10. DIVIDENDS/DISTRIBUTION

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

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

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

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

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

11. EARNINGS PER SHARE

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

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

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

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

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

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12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and equipment	Leasehold improvements	Motor vehicles	Plant and machinery	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January, 2005	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 31 December, 2005	176,366	14,753	2,478	11,952	268,036	59,386	532,971
Additions	—	11,064	420	5,384	41,785	101,403	160,056
Acquired on acquisition of subsidiaries (note 26)	—	123	1,338	354	8,269	—	10,084
Disposals	(2,062)	(172)	(441)	(686)	(3,375)	—	(6,736)
Transfers	60,270	142	—	349	52,658	(113,419)	—
At 31 December, 2006	234,574	25,910	3,795	17,353	367,373	47,370	696,375
DEPRECIATION							
At 1 January, 2005	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 31 December, 2005	16,904	3,751	1,591	3,625	47,782	—	73,653
Provided for the year	6,743	3,264	444	2,650	25,800	—	38,901
Eliminated on disposals	—	(39)	—	(430)	(378)	—	(847)
At 31 December, 2006	23,647	6,976	2035	5,845	73,204	—	111,707
CARRYING AMOUNT							
At 31 December, 2006	210,927	18,934	1,760	11,508	294,169	47,370	584,668
At 31 December, 2005	159,462	11,002	887	8,327	220,254	59,386	459,318

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

Buildings	4.5%–5.8%
Furniture and equipment	9%–18%
Motor vehicles	18%
Plant and machinery	9%
Leasehold improvements	18%

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.

13. LEASE PREMIUM FOR LAND

	2006 RMB'000	2005 RMB'000
CARRYING VALUE		
At 1 January	**48,461**	45,706
Additions during the year	**25,283**	3,843
Charged for the year	**(1,828)**	(1,088)
At 31 December	**71,916**	48,461
Including:		
Current portion	**1,764**	1,096
Non-current portion	**70,152**	47,365
At 31 December	**71,916**	48,461

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

14. GOODWILL

	2006 RMB'000
COST	
Acquired on acquisition of a subsidiary and balance at 31 December *(Note 26)*	**10,718**

The goodwill held by the Group as at 31 December, 2006 arose on the acquisition of a subsidiary, Jiaxing Minrong Automotive Parts Co., Ltd. (''Jiaxing Minrong'') (details set out in Note 26).

During the financial year, the Group assessed the recoverable amount of goodwill. The recoverable amount of Jiaxing Minrong's operation was assessed by reference to the cash-generating unit's value in use. The directors assessed that the goodwill was not impaired.

Impairment test of goodwill

As at 31 December, 2006, the carrying amount of goodwill allocated to the cash-generating unit of Jiaxing Minrong is RMB10,718,000. The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on discounted financial budgets approved by management covering a five-year period, and a discount rate of 14.3% per annum.

Cash flow projection during the budget period for the cash-generating unit is based on reasonable expected gross margins and considering the inflation in raw materials price during the budget period. Management believes that any reasonably possible change in these key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of those cash-generating units.

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15. INTANGIBLE ASSETS

	Patent	Technical know-how	Total
	RMB'000	RMB'000	RMB'000
THE GROUP			
COST			
At 1 January, 2005	1,621	7,429	9,050
Additions	—	5,810	5,810
At 31 December, 2005	1,621	13,239	14,860
Additions	—	3,269	3,269
At 31 December, 2006	1,621	16,508	18,129
AMORTISATION			
At 1 January, 2005	—	1,479	1,479
Amortised for the year	326	1,869	2,195
At 31 December, 2005	326	3,348	3,674
Amortised for the year	214	3,196	3,410
At 31 December, 2006	540	6,544	7,084
CARRYING VALUES			
At 31 December, 2006	1,081	9,964	11,045
At 31 December, 2005	1,295	9,891	11,186

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.

16. INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	2006	2005
	RMB'000	RMB'000
Cost of unlisted investment in jointly controlled entities	**37,991**	8,071
Share of post-acquisition losses	**(2,648)**	—
Investment in jointly controlled entities	**35,343**	8,071

16. INVESTMENT IN JOINTLY CONTROLLED ENTITIES (continued)

Name of entities	Country of incorporation/ establishment	Attributable equity interest of the Group	Paid in capital	Principal activities
Jiaxing Kittel-Minth Automotive Co. Ltd *(Note 1)*	PRC	50%	USD3,000,000	Manufacture of Automotive parts
Jiaxing Shinyou Mould. Tech Co., Ltd *(Note 2)*	PRC	50%	USD5,000,000	Design and Manufacture of mould
Ningbo Xinhong Precious Machine Co., Ltd. *(Note 2)*	PRC	50%	USD1,500,000	Design and Manufacture of stamping dies
Jiaxing Minth Hashimoto Automotive Co., Ltd. *(Note 3)*	PRC	50%	USD—	Manufacture of automotive parts

Note 1: The Group 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 Automotive Parts Company Limited.

Note 2: These entities were established in 2006.

Note 3: The entity set up in 2006 and the capital has not been paid.

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

	2006 RMB'000	2005 RMB'000
Current assets	**25,158**	8,071
Non current assets	**58,487**	—
Current liabilities	**12,959**	—

	2006 RMB'000	2005 RMB'000
Revenue	**7,438**	—
Loss for the year	**(5,296)**	—
Share of the losses for the year	**(2,648)**	—

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17. INTERESTS IN ASSOCIATES

	2006 **RMB'000**	2005 RMB'000
Cost of unlisted investment in associates	**28,881**	19,511
Share of post-acquisition profits, net of dividends received	**22,669**	11,722
Share of net assets	**51,550**	31,233

Name of entities	**Country of incorporation/ establishment**	**Attributable equity interest of the Group**	**Paid-in capital**	**Principal activities**
Ningbo Tokai Minth Automotive Parts Co., Ltd.	PRC	48%	USD4,800,000	Manufacturing of automotive parts
Guangzhou Tokai Minth Automotive Parts Co., Ltd. *(note)*	PRC	48%	USD2,500,000	Manufacturing of automotive parts

Note: The entity was established in March 2006.

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

	2006 **RMB'000**	2005 RMB'000
Total assets	**163,166**	105,813
Total liabilities	**55,770**	40,745
Net assets	**107,396**	65,068
Group's share of the associates' net assets	**51,550**	31,233

	2006 **RMB'000**	2005 RMB'000
Revenue	**215,050**	119,200
Profit for the year	**44,097**	24,421
Group's share of the associates' profit for the year	**21,167**	11,722

18. ADVANCES TO JOINT VENTURE PARTNERS

The advances represent the Group's advances granted to the joint venture partners of joint controlled entities which are interest free. Pursuant to the agreements, the loans will be repaid by the dividend income attributable to the joint venture partners from the jointly controlled entities.

The directors consider that the carrying amounts of the loan receivables close to their fair values.

19. INVENTORIES

	2006 **RMB'000**	2005 RMB'000
Raw materials	**50,419**	49,306
Work in progress	**51,785**	48,826
Finished goods	**32,959**	23,233
Moulds	**84,347**	54,575
	219,510	175,940

20. TRADE AND OTHER RECEIVABLES

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

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20. 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:

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

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

Original currency	**USD**	**JPY**	**AUS**	**EURO**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31st December, 2006	23,003	1	539	1,044	24,587
At 31st December, 2005	17,537	1,258	426	—	19,221

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

21. OTHER FINANCIAL ASSETS

Pledged bank deposits and bank balances and cash

The pledged bank deposits and certain bank balances and cash of RMB85,817,000 and RMB149,262,000 at 31 December, 2005 and 31 December, 2006, 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 bank deposits were secured for short-term banking facilities from the banks in respect of purchases of materials for manufacturing and are therefore classified as current assets. The bank balances and pledged deposits are carrying interest at an effective interest rate of 1.98% per annum.

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

22. TRADE AND OTHER PAYABLES

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

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

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

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22. TRADE AND OTHER PAYABLES (continued)

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

Original currency	USD	JPY	Total
	RMB'000	RMB'000	RMB'000
At 31 December, 2006	7,430	6,935	14,365
At 31 December, 2005	4,687	1,905	6,592

The directors consider that the carrying amounts of trade and other payables 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	USD	Total
	RMB'000	RMB'000	RMB'000
At 31 December, 2006	38,154	—	38,154
At 31 December, 2005	80,800	33,895	114,695

The short-term bank loans as at 31 December, 2006 and 2005 are carrying interest at rates ranging from and 3.6% to 4.3% (2005: 4.5% to 5.2%) per annum respectively.

The short-term bank loans at 31 December, 2006 of RMB38,154,000 (31 December, 2005: RMB80,800,396) are arranged at fixed interest rates which exposed the Group to fair value interest rate risk.

Other short-term bank loans as at 31 December, 2005 were arranged at floating rates, these rates exposed the Group to cash flow interest rate risk.

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

24. LONG-TERM BANK LOANS

The carrying amounts of the Group's long-term bank loans as at 31 December, 2005 were denominated in United States Dollars and are arranged at floating rates exposing the Group to currency and cash flow interest rate risk.

The long-term bank loans at 31 December, 2005 are unsecured and carry interest at rates ranging from 4.900% to 5.854%, which were fully repaid in current year.

25. SHARE CAPITAL

	Number of shares	Amount
		HKD'000
Ordinary shares of HKD0.1 each		
Authorised:		
— On the date of incorporation *(note a)*	3,800,000	380
— Increase in 2005 *(note b)*	4,996,200,000	499,620
As at 31 December, 2006 and 2005	5,000,000,000	500,000

	Number of shares	Amount
		RMB'000
Issued and fully paid in 2005:		
— 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
As at 31 December, 2006 and 2005	830,000,000	86,345

Notes:

(a) The Company was incorporated on 22 June, 2005 with an authorised share capital of HKD380,000 divided into 3,800,000 shares of HKD0.10 each. On 29 June, 2005, one share was allotted and issued. On 30 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 13 November, 2005:

i. the authorised share capital of the Company was increased from HKD380,000 to HKD500,000,000 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 13 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 1 December, 2005 and 12 December, 2005, the Company allotted and issued 200,000,000 shares of HKD0.10 each upon listing of the shares on the Main Board of the Stock Exchange and 30,000,000 shares of HKD0.10 each upon the exercise of the over-allotment options, both at a price of HKD2.25 per share, respectively. These shares rank *pari passu* with the then existing shares.

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26. ACQUISITION OF A SUBSIDIARY

On 30 April, 2006, the Group acquired 70% of the issued share capital of Jiaxing Minrong Automotive Parts Co., Ltd. (''Jiaxing Minrong'') from a third party for considerations of RMB21,101,000.

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

	Jiaxing Minrong RMB'000 *(Note)*
Net assets acquired:	
Equipments	10,084
Inventories	5,537
Trade and other receivables	9,777
Bank balances and cash	995
Trade and other payables	(11,291)
Taxation payable	(269)
	14,833
Minority interests	(4,450)
Goodwill	10,718
Total consideration satisfied by cash	21,101
Net cash outflow arising on acquisitions:	
Cash consideration	(21,101)
Bank balances and cash acquired	995
	(20,106)

Note: The fair value of the assets acquired equals to the entity's carrying amount before combination.

The consideration paid for the combination included amounts in relation to the benefit of expected synergies and the assembled workforce.

The entity acquired contributed RMB2 million to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January, 2006, the total group revenue for the year would have been RMB959 million, and profit for the year would have been RMB277 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January, 2006, nor is it intended to be a projection of future results.

27. ASSETS ACQUIRED THROUGH ACQUISITION OF A SUBSIDIARY

On 31 August, 2006, the Group acquired the land use right of a piece of land through an acquisition of 100% of the issued share capital of Chongqing Minte Automotive Parts Co., Ltd. (''Chongqing Minte'') from a third party. The consideration for the acquisition amounted to RMB6,636,000.

28. 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 buildings rented under non-cancellable operating leases which fall due as follows:

	2006 RMB'000	2005 RMB'000
Within one year	**1,492**	728
In the second to fifth year inclusive	**1,083**	453
After five years	**—**	816
	2,575	1,997

Operating lease payments represent rentals payable by the Group for certain of its properties. The leases terms are negotiated from 1 to 5 years and rentals are fixed for the terms.

The Group as lessor

The Group rents out a part of its buildings under operating lease. Property rental income earned during the year was RMB3,015,000 (2005: RMB3,850,000).

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

	2006 RMB'000	2005 RMB'000
Within one year	**1,324**	680
In the second to fifth year inclusive	**340**	54
	1,664	734

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29. CAPITAL COMMITMENTS

	2006 **RMB'000**	2005 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	**24,403**	46,285
Investment in a jointly controlled entity	**31,235**	4,035

30. OTHER COMMITMENTS

Pursuant to an agreement dated 20 June, 2005 and two supplemental agreements dated 31 July, 2005 and 10 November, 2005 entered into between the Group and Sankei Giken Holding Co., Ltd. (''Sankei''), the minority shareholders of a subsidiary, the Group is committed to pay a fixed contracted annual payment of USD393,385 to Sankei as the profit attributable to Sankei for each of the four years ending 31 December, 2008 from the year of 2005, except the payment, Sankei does not share any profit of the subsidiary during the four year's period.

31. 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.

32. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Saved as disclosed in notes 18 and 30, the Group has the following significant transactions with related/connected parties during the year:

Relationship with related/connected party	**Nature of transactions**	**2006** **RMB'000**	**2005** RMB'000
Jointly controlled entities, in which the Company has 50% equity interest	Sales of goods	**5,054**	—
Associates, in which the Company has 48% equity interest	Sales of goods	**72,991**	47,315
	Purchase of raw materials	**7,666**	4,237
	Proceeds from disposal of property, plant and equipment received	**370**	427
	Property rentals received	**1,238**	1,859
	Testing services income received	**273**	100
Minority owner of subsidiaries	Sales of goods	**16,955**	—
	Technology support services fees paid	**3,554**	3,395
	Purchase of raw material	**12,992**	225
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	**316**	914
	Testing service income	**—**	13
	Interest income	**—**	204
Companies in which a minority owner of a subsidiary has interests*	Sales of goods	**61,293**	64,704

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32. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (continued)

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

The directors represented that they considered the above transactions were carried out in the Group's ordinary and usual course of business and in accordance with the term of agreements governing these transactions.

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

	2006 **RMB'000**	2005 RMB'000
Short-terms benefits	**5,835**	3,721
Post-employment benefits	**56**	25
	5,891	3,746

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

33. SUBSIDIARIES

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

Name of subsidiary	**Country of incorporation/ establishment**	**Attributable equity interest of the Group**	**Issued shares**	**Principal activities**
Decade Industries Limited	British Virgin Islands	100%	USD1	Investment holding
Forecast Industries Limited	British Virgin Islands	100%	USD1	Investment holding
Mindway Holdings Limited	British Virgin Islands	100%	USD1	Investment holding
Sinoone Holdings Limited	British Virgin Islands	100%	USD1	Investment holding
Wealthfield Holdings Limited *(Note i)*	British Virgin Islands	100%	USD1	Investment holding
Cheerplan Holdings Limited *(Note i)*	British Virgin Islands	100%	USD1	Investment holding

33. SUBSIDIARIES (continued)

Name of subsidiary	Country of incorporation/ establishment	Attributable equity interest of the Group	Registered capital	Principal activities
福州信泰汽車零部件有限公司 (Fuzhou Shintai Automotive Parts Co., Ltd.) ("Fuzhou Shintai")	PRC for a term of 50 years as a wholly-owned foreign investment enterprise ("WOFE")	100%	USD1,050,000	Manufacture, process and sales of exterior automobile body parts
重慶長泰汽車零部件有限公司 Chongqing Changtai Automobile Spare Parts Co., Ltd. ("Chongqing Changtai")	PRC for a term of 20 years as a WOFE	100% *(Note v)*	USD4,200,000	Manufacture and sales of exterior automobile body parts
廣州敏惠汽車零部件有限公司 Guangzhou Minhui Automobile Parts Co., Ltd. ("Guangzhou Minhui")	PRC for a term of 20 years as a sino foreign joint venture	70% *(Note 30)*	USD5,350,000	Manufacture, process and sales of exterior automobile body parts equity
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 Parts Co., Ltd.) ("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 Shintai Machines Co., Ltd. ("Ningbo Shin Tai")	PRC for a term of 20 years as a WOFE	100%	USD12,000,000	Design, manufacture, develop and sales of exterior automobile body parts

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33. SUBSIDIARIES (continued)

Name of subsidiary	Country of incorporation/ establishment	Attributable equity interest of the Group	Registered capital	Principal activities
天津信泰汽車零部件有限公司 (Tianjin Shintai Automotive Parts Co., Ltd.) ("Tianjin Shintai")	PRC for a term of 20 years as a sino foreign equity joint venture	80% *(Note iv)*	USD2,500,000	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%	USD5,000,000	Manufacture and sales of exterior automobile body parts
武漢敏惠汽車零部件有限公司 (Wuhan Minhui Automobile Parts Co., Ltd.) ("Wuhan Minhui")	PRC for a term of 50 years as a WOFE	100%	USD3,000,000	Manufacture and sales of exterior automobile body parts
嘉興敏榮汽車零部件有限公司 (Jiaxing Minrong Automotive Parts Co., Ltd.) ("Jiaxing Minrong") *(Note iii)*	PRC for a term of 20 years as a WOFE	70%	USD1,510,000	Manufacture and sales of exterior automobile body parts
嘉興敏勝汽車零部件有限公司 (Jiaxing EL Triumph Automotive Parts Co., Ltd.) ("Jiaxing EL Triumph") *(Note ii)*	PRC for a term of 20 years as a WOFE	80%	USD1,700,000	Manufacture and sales of exterior automobile body parts
上海亞昊汽車產品設計有限公司 (Shanghai Cogen Research and Design Co., Ltd.) ("Shanghai Cogen") *(Note ii)*	PRC for a term of 15 years as a WOFE	100%	USD600,000	Design of automobile exterior, interior decorative parts

33. SUBSIDIARIES (continued)

Name of subsidiary	Country of incorporation/ establishment	Attributable equity interest of the Group	Registered capital	Principal activities
重慶敏特汽車零部件有限公司 Chongqing Minte Automobile Spart Parts Co., Ltd. ("Chongqing Minte") *(Note iii)*	PRC for a term of 10 years as a WOFE	100%	USD5,000,000	Manufacture and sales of exterior automobile body parts
展圖(中國)投資有限公司 Cheerplan (China) Investments Co., Ltd. *(Note ii)*	PRC for a term of 50 years as a WOFE	100%	USD30,000,000	Investment

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

Note ii Newly established in 2006.

Note iii Acquired in 2006, details set forth in note 27.

Note iv On 10 May, 2006, the Group disposed 20% interest in Tianjin Shintai to a third party, Aisin Tianjin at a consideration of USD500,000.

Note v On 11 September, 2006, The Group acquired additional 20% equity interest held by Yi Er Qi in Chongqing Changtai for a total consideration of RMB8,064,840. Upon completion of Acquisition, Chongqing Changtai will be indirectly wholly-owned by the Group.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December, 2006

34. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 1 February, 2007, the board of directors agreed to adopt the Share Option Scheme based on an ordinary resolution passed by the shareholders of the Company on 13 November, 2005. Pursuant to the Share Option Scheme, as incentives and rewards to the directors, certain managements and employees (''Grantee'') for their contribution to the Group, the Company granted 20,800,000 shares to the Grantee at exercise price of HKD6.31 which was determined as the closing price of the shares of the Company on the daily quotations of the Stock Exchange on the date of grant of the Options.

The Share Option Scheme entitled the Grantee to exercise 50% of the total granted options after the end of the first twelve months and exercise the remaining 50% of options after the end of the twenty-four months from the date of acceptance of the Options.

The management of the Company is still in the process of determining the fair value of the Options granted.

(b) On 28 March, 2007, the directors proposed a final dividend of HKD0.097 per share to the shareholders on the register of members on 8 May, 2007, amounting to approximately HKD80,510,000.