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If you have sold or transferred all your shares in Minth Group Limited (the “Company”), you should at once hand this circular to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**MINTH GROUP LIMITED**

**敏實集團有限公司**

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

**(Stock Code: 425)**

## **CONTINUING CONNECTED TRANSACTIONS**

Financial Adviser to Minth Group Limited



**匯金（資本）有限公司**

**Vision Finance (Capital) Limited**

Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders of the Company



**South China Capital Limited**

A letter from the independent board committee of the Company is set out on page 11 of this circular. A letter from South China Capital Limited, the independent financial adviser, containing its advice to the independent board committee of the Company and the independent shareholders of the Company is set out on pages 12 to 21 of this circular.

7 August 2006

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## DEFINITIONS

*In this circular, the following expressions have the following meanings, unless the context otherwise requires:*

“Aisin Tianjin”	愛信(天津)車身零部件有限公司 (Aisin Tianjin Body Parts Co., Ltd.), a Sino-foreign equity joint venture established in the PRC on 28 May 2001
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Minth Group Limited (敏實集團有限公司), a company incorporated in the Cayman Islands on 22 June 2005 with limited liability, the shares of which are listed on the Stock Exchange (Stock code: 425)
“Continuing Connected Transactions”	the transactions contemplated under the Sale and Purchase Agreement
“Connected Person”	any director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of the Company or any of its subsidiaries or any of their respective associates
“Directors”	the executive directors of the Company
“Disposal”	the disposal of a 20% equity interest in Tianjin Shintai by Sinoone Holdings Limited, an indirect wholly-owned subsidiary of the Company, to Aisin Tianjin, which took effect on 1 June 2006
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of the Board, consisting of Heng Kwoo Seng, Wang Ching and Zhang Liren, all being independent non-executive directors of the Company, formed to advise the Independent Shareholders in respect of the approval of the Continuing Connected Transactions

## DEFINITIONS

“Independent Shareholders”	Shareholders who are not required to abstain from voting if the Company is to convene a general meeting for the approval of the Continuing Connected Transactions
“Latest Practicable Date”	4 August 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Linkfair”	Linkfair Investments Limited, a company incorporated in the British Virgin Islands on 7 January 2005 with limited liability and as at the date of this circular, holding 51.33% of the total issued share capital of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purposes of this circular excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the agreement dated 19 July 2006 and entered into between Tianjin Shintai and Aisin Tianjin in relation to the purchase of semi-finished automobile materials and sale of finished automobile parts by Tianjin Shintai and/or its affiliates
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share Transfer Agreement”	the share transfer agreement dated 10 May 2006 and entered into between Sinoone Holdings Limited, an indirect wholly-owned subsidiary of the Company and Aisin Tianjin in relation to the Disposal
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.10 each in the share capital of the Company
“Shareholders”	shareholders of the Company

## DEFINITIONS

“South China Capital”	South China Capital Limited, a deemed licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Continuing Connected Transactions
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Shintai”	天津信泰汽車零部件有限公司 (Tianjin Shintai Automotive Parts Co., Ltd.), an indirect subsidiary of the Company established in the PRC on 21 March 2003
“Vision Finance Capital”	Vision Finance (Capital) Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the financial adviser to the Company in respect of the Continuing Connected Transactions
“%”	per cent.

*For the purpose of this circular, unless otherwise specified, amounts denominated in RMB in this circular have been translated, for the purpose of illustration only, into Hong Kong dollar amounts using the rate of RMB1=HK\$0.9685, respectively. No representation is made that any amount in RMB or HK\$ could have been or could be converted at the above rates or any other rates at all.*

## LETTER FROM THE BOARD



### MINTH GROUP LIMITED

### 敏實集團有限公司

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

**(Stock Code: 425)**

*Executive Directors:*

Chin Jong Hwa (*Chairman*)  
Shi Jian Hui (*Chief Executive Officer*)  
Mu Wei Zhong  
Chin Jung Huang  
Liang Current Tien Tzu

*Registered Office:*

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

*Non-executive Director:*

Shaw Sun Kan, Gordon

*Principal place of business  
in Hong Kong:*

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

*Independent Non-executive Directors:*

Heng Kwoo Seng  
Wang Ching  
Zhang Liren

7 August 2006

*To the Independent Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

The Company announced on 20 July 2006 that Tianjin Shintai, an indirect subsidiary of the Company, entered into the Sale and Purchase Agreement with Aisin Tianjin on 19 July 2006, pursuant to which, Tianjin Shintai and/or its affiliates agreed to purchase semi-finished automobile materials from, and sell finished automobile parts to, Aisin Tianjin and/or its affiliates during the term of the Sale and Purchase Agreement.

Aisin Tianjin is a Connected Person of the Company by virtue of it being a substantial shareholder of Tianjin Shintai, holding 20% equity interest as a result of the Disposal and the sale and purchase transactions contemplated under the Sale and Purchase Agreement therefore constitute continuing connected transactions under Rule 14A.35 of the Listing Rules.

## LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information relating to the Continuing Connected Transactions. An Independent Board Committee has been established to advise the Independent Shareholders in respect of the approval of the Continuing Connected Transactions.

The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 11 of this circular. The letter of advice from South China Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 21 of this circular.

### SALE AND PURCHASE AGREEMENT

Date : 19 July 2006

Parties : (i) Tianjin Shintai  
(ii) Aisin Tianjin

Principal terms : 1. *Purchase of semi-finished automobile materials from Aisin Tianjin and/or its affiliates*

Tianjin Shintai and/or its affiliates agreed to purchase, and Aisin Tianjin and/or its affiliates agreed to supply, semi-finished automobile materials for finishing by the Group. Aisin Tianjin undertook that it would, and would procure its affiliates to, supply semi-finished automobile materials to Tianjin Shintai and/or its affiliates, on terms no less favourable than those if they would have otherwise sold to independent third parties.

2. *Sale of finished automobile parts to Aisin Tianjin and/or its affiliates*

Tianjin Shintai and/or its affiliates agreed to sell, and Aisin Tianjin and/or its affiliates agreed to purchase, finished automobile parts. Aisin Tianjin undertook that it would, and would procure its affiliates to, purchase finished automobile parts from Tianjin Shintai and/or its affiliates, on terms no less favourable than those if they would have otherwise purchased from independent third parties.

3. *Term*

The Sale and Purchase Agreement is for a term from the date that the requisite approval of the Shareholders has been obtained to 31 December 2008 and may be terminated by either party by giving three months' notice and shall be renewable at the option of the Company for a term of three years by giving three months' notice prior to the expiry of the term. The Company shall re-comply

## LETTER FROM THE BOARD

with Chapter 14A of the Listing Rules, including the disclosure and Independent Shareholders' approval requirements (if applicable) prior to the Company's exercise of the option to renew the agreement for a term of three years after the expiry of the term.

#### 4. *Pricing terms*

The price for the semi-finished automobile materials supplied by Aisin Tianjin to Tianjin Shintai under the Sale and Purchase Agreement shall be negotiated by the parties on arm's length basis by reference to market conditions at the prevailing time and if there is no market price for a particular material, an agreed price consisting of the cost incurred in supplying the material plus a reasonable profit acceptable to both parties.

The price for the finished products supplied by Tianjin Shintai to Aisin Tianjin under the Sale and Purchase Agreement shall be negotiated by the parties on an arm's length basis by reference to market conditions at the prevailing 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 acceptable to both parties.

### **REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS**

In line with the Group's strategy to continue to identify clients with growth potentials to form strategic co-operation, the Directors are of the view that the Disposal and the entering into of the Sale and Purchase Agreement will strengthen the Group's strategic relationship with Aisin Tianjin. As the Company understands that the controlling shareholder of Aisin Tianjin is an affiliate of Toyota and in anticipation of the introduction of new car models by Toyota in the PRC automobile market, the Directors believe that such strategic alliance with Aisin Tianjin will enable the Group to increase its supply of finished automobile parts to Aisin Tianjin in the future.

### **PROPOSED CAPS**

Since 2005, Aisin Tianjin has been supplying semi-finished automobile materials to Tianjin Shintai for finishing, and Tianjin Shintai has been in turn selling finished automobile parts to Aisin Tianjin for use in the manufacturing process for branded cars carried by Toyota. Currently, Tianjin Shintai supplies two major types of finished automobile parts to Aisin Tianjin, namely, trim and decorative parts.

## LETTER FROM THE BOARD

Since Tianjin Shintai's commencement of production in August 2005, the Group's aggregate purchases amount of semi-finished automobile materials from, and the aggregate sales amount of finished automobile parts to, Aisin Tianjin, based on its management accounts, for the five months ended 31 December 2005 and the five months ended 31 May 2006 are as follows:

	<b>For the five months ended 31 December 2005 (unaudited) (RMB million)</b>	<b>For the five months ended 31 May 2006 (unaudited) (RMB million)</b>
Purchases of semi-finished automobile materials	3.9	4.9
<b>Total purchases of the Group during the respective periods</b>	<b>135.7</b>	<b>161.2</b>
<i>Approximate percentage to total purchases of the Group during the respective periods</i>	<i>2.9%</i>	<i>3.0%</i>
Sales of finished automobile parts	5.6	7.0
<b>Total sales of the Group during the respective periods</b>	<b>308.9</b>	<b>350.1</b>
<i>Approximate percentage to total sales of the Group during the respective periods</i>	<i>1.8%</i>	<i>2.0%</i>

The Directors expect that for the seven months ending 31 December 2006 and the two years ending 31 December 2008, the aggregate amount of purchases by Tianjin Shintai and/or its affiliates and the aggregate amount of sales to Aisin Tianjin and/or its affiliates will not exceed the following respective amounts:

	<b>For the seven months ending 31 December 2006 (RMB million)</b>	<b>For the year ending 31 December 2007 (RMB million)</b>	<b>2008 (RMB million)</b>
Purchases of semi-finished automobile materials	13	29	25
Sales of finished automobile parts	19	110	158

## LETTER FROM THE BOARD

In arriving at the above estimates of the proposed caps for the purchase of semi-finished automobile materials by Tianjin Shintai and/or its affiliates from Aisin Tianjin and/or its affiliates, the Directors have taken into account the historical purchase record and future purchase demand. The Directors estimate that purchase of semi-finished automobile materials from Aisin Tianjin and/or its affiliates will increase by approximately 62% in 2007 as compared to 2006 (on a full year basis). However, the Directors estimate that such purchase will decrease by approximately 14% in 2008 as compared to 2007 as the Group aims to manufacture certain semi-finished automobile materials in house.

In arriving at the above estimates of the proposed caps for the sale of finished automobile parts by Tianjin Shintai and/or its affiliates to Aisin Tianjin and/or its affiliates, the Directors have taken into account the historical sale record and Aisin Tianjin's future demand for the Group's finished automobile parts which is expected to increase significantly after Aisin Tianjin became a shareholder of Tianjin Shintai. The Directors estimate that sale of finished automobile parts to Aisin Tianjin and/or its affiliates will increase by approximately 323% in 2007 as compared to 2006 (on a full year basis), which is due to continuous increase in demand from Aisin Tianjin and/or its affiliates for the Group's trim and decorative parts coupled with expected new orders to be placed by Aisin Tianjin and/or its affiliates for body structural parts. Furthermore, in anticipation of the introduction of new car models by Toyota in the PRC automobile market which is expected to drive Aisin Tianjin's increasing demand for the Group's finished automobile parts, the Directors estimate that sale to Aisin Tianjin will further increase by approximately 44% in 2008 as compared to 2007.

The Directors have confirmed that the terms of the Sale and Purchase Agreement have been determined on an arm's length basis and the Continuing Connected Transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms. The Directors are of the view that the Continuing Connected Transactions are fair and reasonable and in the interests of the Shareholders as a whole. In view of the analysis stated above, the Directors consider that the proposed caps for the aggregate amount of purchases from, and sales to, Aisin Tianjin and/or its affiliates under the Continuing Connected Transactions for the seven months ending 31 December 2006 and the two financial years ending 31 December 2008 are reasonable.

### LISTING RULES IMPLICATIONS

Aisin Tianjin is a Connected Person of the Company by virtue of it being a substantial shareholder of Tianjin Shintai, holding 20% equity interest and the transactions contemplated under the Sale and Purchase Agreement are Continuing Connected Transactions under the Listing Rules.

As the expected aggregate amount of purchases and sales by Tianjin Shintai and/or its affiliates from/to Aisin Tianjin and/or its affiliates under the Continuing Connected Transactions for the seven months ending 31 December 2006 and the two years ending 31 December 2008 on an annual basis will exceed HK\$10,000,000 and 2.5% of the percentage ratios (other than the profits ratio and the equity capital ratio) under Rule 14A.34 of the

## LETTER FROM THE BOARD

Listing Rules, the entering into of the Continuing Connected Transactions during the respective periods will constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules and will be subject to the requirements of reporting, announcement and approval by the Independent Shareholders at an extraordinary general meeting as set out in Chapter 14A of the Listing Rules.

However, as the Continuing Connected Transactions are between Tianjin Shintai and Aisin Tianjin only and Aisin Tianjin is only a Connected Person to the Company by virtue of it being a substantial shareholder of Tianjin Shintai (to the best knowledge of the Directors, Aisin Tianjin has no shareholding in the Company), no Shareholder is required to abstain from voting at any general meeting to be convened by the Company for the purpose of approving the Continuing Connected Transactions.

Linkfair, as the controlling shareholder of the Company holding 51.33% interest in the Company as at the Latest Practicable Date, has approved the Continuing Connected Transactions by way of a written approval. Pursuant to Rule 14A.43 of the Listing Rules, an application has been made to the Stock Exchange for a waiver from the requirement to convene an extraordinary general meeting for the approval of the Continuing Connected Transactions by the Independent Shareholders.

### GENERAL INFORMATION

The Group is principally engaged in the design, manufacture and sale of body structural parts, decorative parts and trim for passenger cars. Tianjin Shintai, an 80%-owned subsidiary of the Company, is principally engaged in research and development, manufacture and sale of automobile body parts. The Company understands that Aisin Tianjin is a Sino-foreign equity joint venture company established in the PRC on 28 May 2001 and is principally engaged in the manufacture and sale of automobile body parts. Aisin Tianjin has been one of the Group's suppliers and customers for about one year.

### RECOMMENDATION

South China Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the approval of the Continuing Connected Transactions. South China Capital considers that the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and that the terms and conditions of the Sale and Purchase Agreement and the proposed caps are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Board and the Independent Board Committee consider that the terms of the Sale and Purchase Agreement have been determined on an arm's length basis and the Continuing Connected Transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms. In view of the analysis stated above, the Board is of the view that the Continuing Connected Transactions and the proposed caps for the aggregate amount of purchases from, and sales to, Aisin Tianjin under the Continuing Connected Transactions for the seven months

## LETTER FROM THE BOARD

ending 31 December 2006 and the two financial years ending 31 December 2008 are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Independent Board Committee, after considering the advice from South China Capital, concurs with the views of South China Capital and the Board considers that the Continuing Connected Transactions and the proposed caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter of the Independent Board Committee set out on page 11 of this circular, the letter set out on pages 12 and 21 of this circular from South China Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the approval of the Continuing Connected Transactions, and to the additional information set out in the appendix to this circular.

Yours faithfully  
For and on behalf of the Board  
**Mint Group Limited**  
**Chin Jong Hwa**  
*Chairman*

**MINTH**  
**敏實集團**

**MINTH GROUP LIMITED**

**敏實集團有限公司**

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

**(Stock Code: 425)**

7 August 2006

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to advise you as to whether the Continuing Connected Transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Details of the Continuing Connected Transactions are set out on pages 4 to 8 of the circular (the “**Circular**”) dated 7 August 2006 issued by the Company to its Shareholders of which this letter forms part. The terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We wish to draw your attention to the letter from the Board set out on pages 4 to 10 of the Circular and the letter of advice from South China Capital set out on pages 12 to 21 of the Circular.

We, after taking advice from South China Capital, concur with the views of South China Capital and consider that the Continuing Connected Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group. We are also of the view that the Continuing Connected Transactions and the proposed caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole.

Yours faithfully

*Independent Board Committee*

**Heng Kwo Seng**

**Wang Ching**

**Zhang Liren**

## LETTER FROM SOUTH CHINA CAPITAL

*The following is the text of the letter of advice from South China Capital to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



**South China Capital Limited**  
28th Floor, Bank of China Tower  
No. 1 Garden Road  
Central  
Hong Kong

7 August 2006

Minth Group Limited  
22nd Floor  
Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions in respect of the Sale and Purchase Agreement, particulars of which are set out in the "Letter from the Board" contained in the circular of the Company dated 7 August 2006 ("the Circular"), and in which the letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

Pursuant to the requirement of Rule 13.39(6) of the Listing Rules, an Independent Board Committee comprising all the independent non-executive Directors, namely Heng Kwoo Seng, Wang Ching and Zhang Liren, has been formed to advise the Independent Shareholders of the Company in relation to the Continuing Connected Transactions. We have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LETTER FROM SOUTH CHINA CAPITAL

According to the “Letter from the Board”, since no Shareholders is required to abstain from voting at the general meeting for the approval of the Continuing Connected Transaction, Linkfair, the controlling Shareholder of the Company holding 51.33% interest in the Company as at the Latest Practicable Date, has approved the Continuing Connected Transactions by way of a written approval. Pursuant to Rule 14A.43 of the Listing Rules, an application has been made to the Stock Exchange for a waiver from the requirement to convene an extraordinary general meeting for the approval of the Continuing Connected Transactions by the Independent Shareholders.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have relied on the accuracy of the information supplied and the opinion expressed to us by the Directors and the management of the Company. We have assumed that all the information contained and representations made to us or referred to in the Circular are true, accurate and complete at the time they were made and continue to be so at the Latest Practicable Date.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have taken all reasonable steps as required under Rule 13.80 of the Listing Rules to formulate our opinion and advice. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance, which would render the information provided, and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries by us, the Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and further confirmed that, to the best of their knowledge, they believe there are no other factors or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted any independent investigation into the business and affairs of the Company.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation in respect of the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

#### **1. Background of the Sale and Purchase Agreement**

As stated in the “Letter from the Board”, the Group is principally engaged in the design, manufacture and sale of body structural parts, decorative parts and trim for passenger cars. Tianjin Shintai, an 80%-owned subsidiary of the Company, is principally engaged in research and development, manufacture and sale of automobile body parts. According to the understanding of the management of the

## LETTER FROM SOUTH CHINA CAPITAL

Company, Aisin Tianjin is a sino-foreign equity joint venture company established in the PRC in 2001, and is principally engaged in the manufacturing and sale of automobile body parts.

As set out in the “Letter from the Board”, Tianjin Shintai entered into the Sale and Purchase Agreement with Aisin Tianjin on 19 July 2006, pursuant to which, Tianjin Shintai and/or its affiliates agreed to purchase semi-finished automobile materials from, and sell finished automobile parts, to Aisin Tianjin and/or its affiliates during the terms of the Sale and Purchase Agreement. The Sale and Purchase Agreement is for a term from the date that the requisite approval of the Shareholders has been obtained to 31 December 2008 and may be terminated by either party by giving three months’ notice and shall be renewable at the option of the Company for a term of three years by giving three months’ notice prior to the expiry of the term. Aisin Tianjin is a Connected Person of the Company by virtue of it being a substantial shareholder of Tianjin Shintai, holding 20% equity interest as a result of the Disposal. Therefore, the transactions contemplated under the Sale and Purchase Agreement constitute continuing connected transactions under the Listing Rules.

### **2. Reasons for entering into the Sale and Purchase Agreement**

#### *(1) In line with the principal business of the Group*

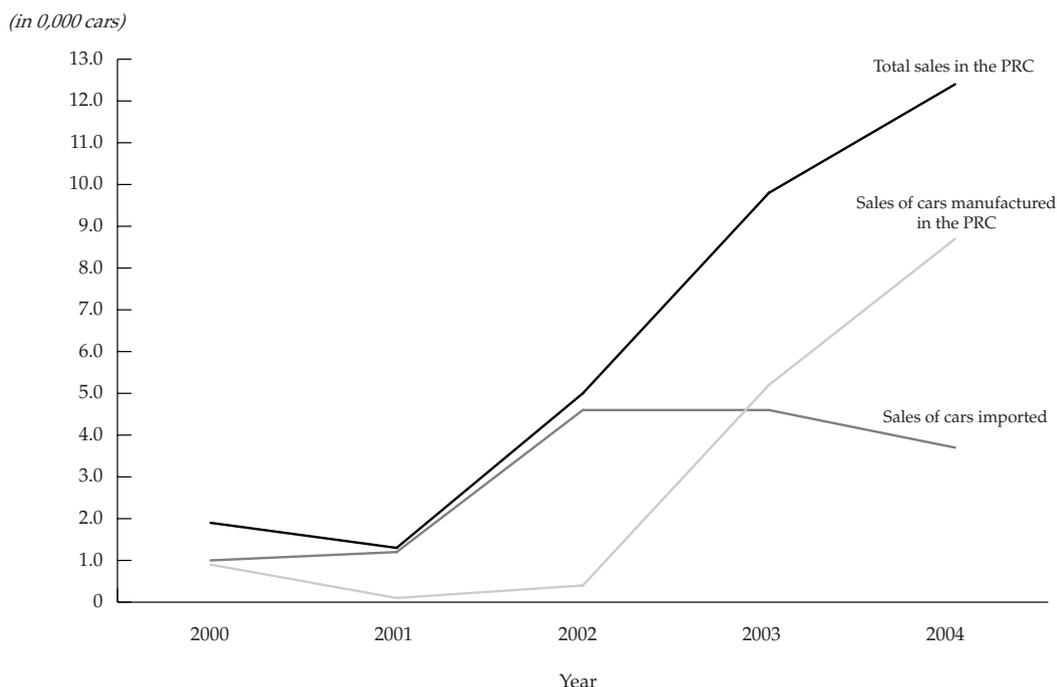
As mentioned in the paragraph headed “Background of the Sale and Purchase Agreement”, the Group’s principal businesses are to design, manufacture and sale body structural parts, decorative parts and trim for passenger cars. As set out in the “Letter from the Board”, Aisin Tianjin commenced to supply semi-finished automobile materials to Tianjin Shintai for finishing, and Tianjin Shintai in turn sold finished automobile parts to Aisin Tianjin from 2005. Currently, the two major types of finished automobile parts Tianjin Shintai supplies to Aisin Tianjin are trim and decorative parts, and such purchase and sale transactions between Tianjin Shintai and Aisin Tianjin will be continued in accordance with the terms of the Sale and Purchase Agreement. We are of the view that, the continuing connected transactions under the Sale and Purchase Agreement are, therefore, in line with the principal business of the Group, and are in the ordinary and usual course of the business of the Company.

#### *(2) Growth potential*

According to the management of the Company, the products Tianjin Shintai sold to Aisin Tianjin are consumed in the manufacturing process for branded cars manufactured by Toyota, in particular for the manufacturing process for Toyota’s manufacturing subsidiaries in Tianjin and Guangzhou in the PRC.

## LETTER FROM SOUTH CHINA CAPITAL

Toyota is one of the largest automobile producers globally. According to the information set out in the websites of Toyota ([www.toyota.co.jp](http://www.toyota.co.jp)) and Toyota China ([www.toyota.com.cn](http://www.toyota.com.cn)), in the fiscal year of 2004 to 2005, Toyota has total sales of 18,551 billion yen and a net profit of 1,171 billion yen. Since 2000, Toyota began to establish automobile manufacturing subsidiaries in the PRC, and up to the end of 2005, Toyota has set up 11 manufacturing subsidiaries in the PRC.



Source: [www.toyota.com.cn](http://www.toyota.com.cn)

As shown from the above chart, we noted that Toyota's total sales in China and its total sales of the cars manufactured in the PRC are on increasing trends, indicating a period of growth for the period from 2001 to 2004. In particular, the sales of cars manufactured in the PRC has increased significantly from 1,000 cars in 2001 to 87,000 cars in 2004, with an average annual growth rate of approximately 522%. Based on the information in the website of Toyota ([www.toyota.co.jp](http://www.toyota.co.jp)), the amount of car manufactured by Toyota's subsidiaries in PRC in 2005 is approximately 144,500 cars.

We believe that with the development of the sales and production of Toyota's passenger cars in the PRC, the purchase orders to Tianjin Shintai from Aisin Tianjin will be increased. The management of the Company anticipated that Toyota would continue to introduce new car models in the PRC automobile market. It is envisaged that the Continuing Connected Transactions may help to enlarge the revenue base of the Company. Therefore, we consider the Sale and Purchase Agreement will provide a growth prospect for the Group's business and revenue.

## LETTER FROM SOUTH CHINA CAPITAL

### (3) *Strengthening the bonding of the strategic partnership*

According to the management of the Company, one of the Group's strategies is to continue to identify clients with growth potentials to form strategic co-operation. According to the understanding of the management of the Company, Aisin Tianjin is a sino-foreign equity joint venture company established in the PRC in 2001. The controlling shareholder of Aisin Tianjin is an affiliate of Toyota. As mentioned previously, Aisin Tianjin is principally engaged in the manufacturing and sale of automobile body parts, in particular for the manufacturing of Toyota passenger cars.

Upon the Disposal taking effect on 1 June 2006, Aisin Tianjin became a substantial shareholder of Tianjin Shintai (as defined under the Listing Rules) and a strategic partner with the Group. Under the Sale and Purchase Agreement, of which the terms of the transactions between Aisin Tianjin and Tianjin Shintai would be formalized, which we believe will further strengthen the partnership between Aisin Tianjin and the Group. It is envisaged that the cooperation and relationship of the Group with Toyota will be strengthened by the Disposal and the Sale and Purchase Agreement, which is not only in line with the Group's business strategies but also beneficial to the Group in the long-run.

Having taken into account the above, in particular that the Continuing Connected Transactions (i) are in line with the Group's principal activities; (ii) represent a growth potential for the Group; and (iii) can strengthen the Group's bonding with its strategic partnership, we consider the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

### **3. Basis of determining the price**

#### *Purchase of semi-finished automobile material from Aisin Tianjin and/or its affiliates*

As stated in the "Letter from the Board", pursuant to the Sale and Purchase Agreement, the prices for the semi-finished automobile materials supplied by Aisin Tianjin to Tianjin Shintai shall be negotiated by the parties on arm's length basis by reference to market conditions at the prevailing time and if there is no market price for a particular material, an agreed price consisting of the cost incurred in supplying the material plus a reasonable profit acceptable to both parties.

We consider the basis of the prices for the semi-finished automobile materials supplied by Aisin Tianjin to Tianjin Shintai negotiation by both parties on arm's length basis by reference to market conditions is on normal commercial terms and are in line with market practice so far as we are able to identify.

## LETTER FROM SOUTH CHINA CAPITAL

As confirmed by the management of the Company, the finished products Tianjin Shintai sold to Aisin Tianjin are tailor-made in accordance with Aisin Tianjin's particular requirements, Aisin Tianjin is currently the sole supplier for Tianjin Shintai to supply such semi-finish automobile materials which are necessary for the production of the finished products to Aisin Tianjin. Based on Aisin Tianjin's high requirements on the products' quality and high techniques for production, the management of the Company considers it is not practical for Tianjin Shintai to search for other independent third-party suppliers to supply these semi-finished automobile materials which are required in the production of the finished products Tianjin Shintai sold to Aisin Tianjin currently.

Furthermore, since the semi-finished automobile materials supplied by Aisin Tianjin will then be sold back to Aisin Tianjin after processed by Tianjin Shintai, pursuant to the Sale and Purchase Agreement, an agreed price for the finished products to Aisin Tianjin will consist of the cost incurred in supplying the product plus a reasonable profit acceptable to both parties. Therefore, the costs for the semi-finished automobile materials supplied by Aisin Tianjin could be effectively transferred to the finished products Tianjin Shintai charged to Aisin Tianjin.

Also, as stated in the "Letter from the Board", the Directors estimate that the Group aims to manufacture certain semi-finished automobile materials in house and therefore, future reliance on the supply of such materials from Aisin Tianjin could be reduced. Based on the above, we are of the view that the terms for the purchases of the semi-finished automobile materials from Aisin Tianjin by Tianjin Shintai under the Sale and Purchase Agreement are fair and reasonable, and in the interests of the Company.

### *Sales of finished automobile parts to Aisin Tianjin and/or its affiliates*

As mentioned in the "Letter from the Board", under the Sale and Purchase Agreement, the prices for the finished products supplied by Tianjin Shintai to Aisin Tianjin shall be negotiated by the parties on an arm's length basis by reference to market conditions at the prevailing 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 acceptable to both parties.

As mentioned in the above paragraph, according to the management of the Company, the finished products Tianjin Shintai sold to Aisin Tianjin are tailor-made based on Aisin Tianjin's particular requirements, and Tianjin Shintai is the sole supplier for Aisin Tianjin to supply such finished products. Accordingly, there is no comparable market price for such finished automobile parts.

## LETTER FROM SOUTH CHINA CAPITAL

To analyze the fairness and reasonableness of the basis of the sale price for the finished products Tianjin Shintai sell to Aisin Tianjin, we have reviewed the audited financial reports of Tianjin Shintai for 2005 and the unaudited financial report for the four months ending 30 April 2006 (both prepared in accordance with the PRC generally accepted accounting principles). We noted that, the audited revenue and gross profit of Tianjin Shintai for 2005 was approximately RMB12.85 million (equivalent to approximately HK\$12.45 million) and RMB2.01 million (equivalent to approximately HK\$1.95 million) respectively, with a net loss of approximately RMB0.4 million (equivalent to approximately HK\$0.39 million). In the four months ended 30 April 2006, the unaudited revenue and gross profit of Tianjin Shintai was approximately RMB9.77 million (equivalent to approximately HK\$9.46 million) and RMB1.35 million (equivalent to approximately HK\$1.31 million) respectively with a net profit of approximately RMB0.035 million (equivalent to approximately HK\$0.034 million).

According to the management of the Company, since the finished automobile parts Tianjin Shintai sold to Aisin Tianjin are tailor-made in accordance with Aisin Tianjin's requirements, it is difficult for Tianjin Shintai to master all the techniques and process requirements for the production in a relatively short period of time. As the production for Aisin Tianjin has just commenced from August 2005, Tianjin Shintai suffered a relatively high wastage in the production process, which leads to high costs and a loss. However, the management of the Company has confirmed that based on their experience and knowledge, the production process and techniques will be improved after one or two years, which will reduce wastage and the costs, thus increase the profit margin of the finished automobile parts Tianjin Shintai sold to Aisin Tianjin in turn. According to the management of the Company, from the end of 2006, the sale price charged by Tianjin Shintai to Aisin Tianjin will not be less than the all-in costs incurred and a reasonable gross profit margin will be maintained.

Accordingly, we concurred with the Directors that the terms of the Sale and Purchase Agreement in respect of the sale of the finished automobile parts by Tianjin Shintai to Aisin Tianjin are fair and reasonable, and are in the interests of the Company.

Having considered the above, we are of the view that the terms of the Sale and Purchase Agreement between Tianjin Shintai and Aisin Tianjin are on normal commercial terms and are in line with market practice. We consider that the basis for determining the prices for the semi-finished automobile materials supplied by Aisin Tianjin and the prices for the finished automobile parts Tianjin Shintai sold to Aisin Tianjin, as well as the general terms and conditions of the Sale and Purchase Agreement are fair and reasonable and are in the interest of the shareholder of the Company and the Company as a whole.

# LETTER FROM SOUTH CHINA CAPITAL

## 4. Annual Caps

As stated in the “Letter from the Board”, the Directors propose the annual caps for the Continuing Connected Transactions for the seven months ending 31 December 2006 and each of the two financial years ending 31 December 2007 and 31 December 2008 as follows:

	For the seven months ending 31 December 2006		For the year ending 31 December 2007		For the year ending 31 December 2008	
	<i>% of change as compare</i>		<i>% of change as compare</i>		<i>% of change as compare</i>	
	<i>RMB million</i>	<i>to prior year</i>	<i>RMB million</i>	<i>to prior year</i>	<i>RMB million</i>	<i>to prior year</i>
Annual cap for purchase of semi-finished automobile materials from Aisin Tianjin pursuant to the Sale and Purchase Agreement (“Purchase Cap”)	13	n.a.	29	62%	25	(14%)*
Annual cap for sale of finished automobile parts to Aisin Tianjin pursuant to the Sale and Purchase Agreement (“Sales Cap”)	19	n.a.	110	323%	158	44%

*Note:* \* The purchases from Aisin Tianjin in 2008 is projected to be less than the purchases in 2007. Therefore, the change percentage of 2008 compare to 2007 is negative.

### *The Purchase Caps*

As stated in the “Letter from the Board”, the Directors, when determining the Purchase Caps for the remaining seven months ending 31 December 2006 and each of the two financial years ending 31 December 2007 and 2008, have made reference to the historical purchase record and the estimated future purchase demand.

According to the management of the Company, the purchases of semi-finished products by Tianjin Shintai from Aisin Tianjin is RMB3.9 million (equivalent to approximately HK\$3.8 million) for the five months ended 31 December 2005 and RMB4.9 million (equivalent to approximately HK\$4.7 million) for the five months ended 31 May 2006, which is approximately 70% of the sales to Aisin Tianjin in the respective period. As confirmed by the management of the Company, since most of the semi-finished material Tianjin Shintai used to manufacture the products for Aisin Tianjin in 2006 will be purchased from Aisin Tianjin, the estimated total purchase amount to the total sale amount in 2006 will be in line with such historical ratio of approximately 70%, and the proposed purchase amount of approximately RMB17.9 million

## LETTER FROM SOUTH CHINA CAPITAL

(equivalent to approximately HK\$17.3 million) is in the certain proportion of the total sale amount in 2006 (on a full year basis) of approximately RMB26 million (equivalent to approximately HK\$25 million). Therefore, we consider the purchase annual cap for 2006 is fair and reasonable.

As far as the purchase caps for 2007 and 2008 is concerned, we note that according to the management of the Company, Tianjin Shintai is expected to manufacture certain semi-finished automobile materials in house on the condition that they could meet the requirements of Aisin Tianjin by purchasing raw materials from other independent third-party suppliers. As such, although the sales for the finished automobile parts to Aisin Tianjin is expected to increase quickly in 2007 and 2008, the growth rate of the purchase for the semi-finished automobile materials from Aisin Tianjin is expected to be relatively low during the respective periods. Since, as advised by the management of the Company, the cost of manufacturing of the semi-finished automobile parts plus the cost of purchasing the raw materials from other independent third-party suppliers are expected to be less than the cost of purchasing these semi-finished automobile parts from Aisin Tianjin, the relatively low purchase caps in 2007 and 2008 will be enough, and considered to be beneficial to the Company. Therefore, we consider the Purchase Caps for 2007 and 2008 are also fair and reasonable, and are in the interest of the Company and the Shareholders as a whole.

### *The Sales Caps*

As stated in the "Letter from the Board", in arriving the above estimates of the proposed Sales Caps for the finished automobile parts, the Directors have considered the historical sales and Aisin Tianjin's future demand for the Group's finished automobile parts, which is expected to increase significantly after Aisin Tianjin became a shareholder of Tianjin Shintai.

Based on the estimation by the management of the Company, the sale of finished automobile part to Aisin Tianjin and/or its affiliates will increase from approximately RMB26 million (equivalent to approximately HK\$25 million) in 2006 (on a full year basis) to approximately RMB110 million (equivalent to approximately HK\$107 million) in 2007 and to approximately RMB158 million (equivalent to approximately HK\$153 million) in 2008, representing an average annual increase rate of approximately 184%. According to the management of the Company, the increased sales of finished parts from Tianjin Shintai to Aisin Tianjin in 2007 is principally attributed to the continuous increasing demand from Aisin Tianjin and/or its affiliates for the Group's trim and decorative parts coupled with expected new orders to be placed by Aisin Tianjin and/or its affiliates for body structural parts. And the proposed continuous increase on sales from Tianjin Shintai to Aisin Tianjin in 2008 is on the anticipation of the introduction of new car models by Toyota in the PRC automobile market which is expected to drive Aisin Tianjin's increasing demand for the Group's finished automobile parts. Compared with the historical average annual growth rate of Toyota's sales amount of cars manufactured

## LETTER FROM SOUTH CHINA CAPITAL

in the PRC of approximately 522% which is mentioned above in the paragraph headed “Reasons for entering into the Sale and Purchase Agreement”, we consider that the annual increase rate of approximately 184% of the sales amount Tianjin Shintai To Aisin Tianjin in the respective years is reasonably foreseeable.

Having taken into consideration of the above, we are of the opinion that the aforesaid basis in determining the Sales Caps is fair and reasonable, and the Sales Caps are in the interest of the Company and the Shareholders as a whole.

### 5. Conditions of the Continuing Connected Transactions

The Continuing Connected Transactions and the respective proposed caps are subject to the terms and conditions as set out in Rule 14A.37 to 14A.40 of the Listing Rules regarding the annual review of continuing connected transactions.

## CONCLUSION AND RECOMMENDATION

Having considered the above principal factors and reasons, in particular,

- (i) the background of and the reasons for carrying out the continuing connected transactions contemplated under the Sale and Purchase Agreement;
- (ii) the basis of price determination of the semi-finished automobile materials supplied by Aisin Tianjin and of the finished automobile parts Tianjin Shintai sold to Aisin Tianjin;
- (iii) the basis of setting the corresponding annual caps for purchases and sales; and
- (iv) the conditions attached to the Continuing Connected Transactions,

we are of the view that the Sale and Purchase Agreement and the Continuing Connected Transactions constituted are conducted in the ordinary and usual course of business of the Group. The terms and conditions of the Sale and Purchase Agreement, including the Sales Caps and the Purchase Caps, are on normal commercial terms, fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Yours faithfully,  
For and on behalf of  
**South China Capital Limited**  
**Christina Cheung**  
*Director*

*For the purpose of this letter, for the purpose of illustration only, conversion of RMB into HK\$ is calculated at the exchange rate of RMB1.00 to HK\$0.9685.*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### Long position in the Shares

Name of Director	Nature of interest	Total number of Shares held	Percentage holding
Chin Jong Hwa	Interest of controlled corporation ( <i>Note</i> )	480,000,000	57.83%

*Note:* The 480,000,000 Shares are held by 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 Jong Hwa is therefore deemed to be interested in all the 54,000,000 Shares held by Acemind.

Save as disclosed above, as at the Latest Practicable Date, none of the directors and chief executives of the Company and their associates has any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

## 3. SUBSTANTIAL SHAREHOLDERS

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the group or held any option in respect of such capital, the respective relevant numbers of Shares in which they

were, and/or were deemed to be, interested as at the Latest Practicable Date as recorded in the register kept by the Company under Section 336 of the SFO and the percentages which the Shares represented to the issued share capital of the Company:

### **Minth Group Limited**

<b>Name</b>	<b>Number of Shares interested or deemed to be interested (long position)</b>	<b>Percentage holdings</b>
Wei Ching Lien	480,000,000 <i>(Note 1)</i>	57.83%
Linkfair	426,000,000	51.33%
Acemind	54,000,000	6.51%
Baring Private Equity Asia III Holding Limited	64,002,000 <i>(Note 2)</i>	7.71%
Baring Private Equity Asia GP III, LP	64,002,000 <i>(Note 3)</i>	7.71%
Baring Private Equity Asia GP III Limited	78,000,000 <i>(Note 4)</i>	9.40%
Salata Jean Eric	90,000,000 <i>(Note 5)</i>	10.84%
Pong Melania	90,000,000 <i>(Notes 5 &amp; 6)</i>	10.84%

<b>Member of the Group</b>	<b>Name of the entity which is, directly or indirectly, interested in 5% or more of the shares in any other member of the Group</b>
Tianjin Shintai	Aisin Tianjin
Chongqing Changtai Automobile Spare Parts Co., Ltd.	Chongqing Changan Yi Er Qi Garden Engineering Co., Ltd.
Guangzhou Minhui Automobile Parts Co., Ltd.	Sankei Giken Holding Co., Ltd.
Jiaxing Minrong Automotive Parts Co., Ltd.	Praise Development Limited
Jiaxing El Triumph Automotive Parts Co., Ltd.	Praise Development Limited

*Notes:*

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 Wei Ching Lien 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.
2. Baring Private Equity Asia III Holding Limited is indirectly wholly-owned by the limited partnerships comprising The Baring Asia Private Equity Fund III.
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.
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.
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.
6. Salata Jean Eric and Pong Melania are husband and wife and are deemed to be interested in each other's deemed interests.

Save as disclosed above, as at the Latest Practicable Date so far as is known to the directors or the chief executive of the Company, no other person (note being a Director or chief executive of the Company) who had any interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange, under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

#### 4. LITIGATION

So far as the directors of the Company are aware, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries are engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

#### 5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the directors of the Company had entered into, or proposed to enter into, any service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

## 6. COMPETING INTEREST

As at the Latest Practicable Date, Chin Jong Hwa (“Mr. Chin”), the Chairman of the Company, had 50% equity interests in Ningbo Free Trade Zone Tech Giant Machines Co., Ltd. (“Ningbo Tech Giant”) and Mr. Chin’s family members together owned 100% equity interest in 敏孚機器工業股份有限公司 (“Taiwan Minth”).

### **Ningbo Tech Giant**

Ningbo Tech Giant is primarily engaged in the manufacture and sale of brake callipers, a product that is not manufactured by the Group. Despite that Mr. Chin is a director of Ningbo Tech Giant, he is not involved in the day to day management of Ningbo Tech Giant. Except for Mr. Chin, there is no overlapping of directorships between the Company and Ningbo Tech Giant. The number of directors of Ningbo Tech Giant is six and each shareholder shall be entitled to appoint three directors. The two directors appointed by Mr. Chin are ex-employees of the Group. Mr. Chin intends to sell his stake in Ningbo Tech Giant and before then, he remains a director and intends to continue to be a director of Ningbo Tech Giant. As the Group does not manufacture brake callipers and has no current intention to manufacture brake callipers, Mr. Chin and the other directors of the Company do not consider that the business of Ningbo Tech Giant competes or is likely to compete, either directly or indirectly, with the Group’s business.

### **Taiwan Minth**

Taiwan Minth’s principal business is the manufacture and sale of auto-parts and accessories in Taiwan. However, the directors of the Company consider that the business of Taiwan Minth can be distinguished from that of the Group. In terms of products, Taiwan Minth only focuses on the manufacture and sale of trim including trim for windshield, roof, rear window, body side and glass guide sash lower. Unlike the Group, it does not engage in the manufacture of body structural parts and decorative parts. The directors of the Company understand from Taiwan Minth that all of their customers are companies in Taiwan and such customers take delivery of goods in Taiwan. On the other hand, the Group principally focuses on the PRC market with increasing amounts of exports to other parts of the world.

The directors of the Company confirmed that as at the Latest Practicable Date, Mr. Chin and his wife did not hold any directorship in Taiwan Minth, nor the directors of Taiwan Minth have been or intend to be involved in the Group’s business activities. Moreover, neither Mr. Chin’s wife nor any member of her side of the family assumed any management role in any member of the Group as at the Latest Practicable Date. No employees of Taiwan Minth were seconded to the Group nor there was any overlap of senior management between the Group and Taiwan Minth.

Taiwan Minth has undertaken to the Company that for so long as Mr. Chin and his associates (as defined under the Listing Rules) hold 30% or more of the Shares, Taiwan Minth will not, and Taiwan Minth will procure that its associates shall not, compete with the business of the Group in the PRC and Hong Kong or any part of the world in which any member of the Group operates. The undertaking given by Taiwan Minth, however, does not prevent it and its associates, taken together, from holding interests in the Company or any company which is listed on

a recognised stock exchange, engaging in the same or similar type of business to the Group, if such interests in aggregate do not exceed 5% of the issued share capital of such company and Taiwan Minth, together with its associates, do not control the board of directors of such company. Should the Group be concerned with Taiwan Minth's adherence to the above undertaking, the Group may inspect, on reasonable notice, the accounts or other records of Taiwan Minth in the presence of a Taiwan Minth staff. The undertaking shall cease to have effect on the earliest of the date on which (i) Mrs. Chin's associates cease to hold 30% of the total issued shares in Taiwan Minth; (ii) it falls to be the third anniversary of the date on which dealings in the Shares first commenced on the Stock Exchange; and (iii) the securities of the Company cease to be listed on the Stock Exchange. This undertaking was negotiated between the Group and Taiwan Minth and a period of three years represents the maximum period which Taiwan Minth would agree to.

Based on the above, the directors of the Company do not consider that the business of Taiwan Minth competes, or is likely to compete, either directly or indirectly, with the Group's business.

#### 7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the directors of the Company were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2005, being the date to which the latest published audited consolidated financial statements of the Group were made up.

#### 8. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the directors of the Company was materially interested in any contracts or arrangements entered into by any members of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

#### 9. DIRECTORS' INTERESTS IN ASSETS

Since 31 December 2005, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to the Latest Practicable Date, none of the directors of the Company has any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

#### 10. CONSENT AND QUALIFICATIONS OF THE EXPERTS

The following are the qualifications of the experts who have been named in this circular or have given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Vision Finance Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
South China Capital	a deemed licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

Each of Vision Finance Capital and South China Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice or references to its name in the form and context in which they respectively appear.

None of Vision Finance Capital and South China Capital has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

None of Vision Finance Capital and South China Capital has any direct or indirect interests in any assets which have since 31 December 2005 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group.

#### 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business in Hong Kong of the Company during normal business hours except Saturday, Sunday and public holidays at 22nd Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong for a period of 14 days from the date of this circular:

- (a) the Sale and Purchase Agreement;
- (b) memorandum and articles of association of the Company;
- (c) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (d) the letter of advice from South China Capital, the text of which is set out in this circular; and
- (e) the written consents given by Vision Finance Capital and South China Capital referred to in the paragraph headed "Consent and Qualifications of the Experts" in this appendix.

#### 12. MISCELLANEOUS

- (a) The company secretary and qualified accountant of the Company is Liang Current Tien Tzu, *CPA*.
- (b) The registered office of the Company is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.
- (c) The principal place of business of the Company is at 22nd Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.
- (d) The branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) The principal share registrar and transfer office of the Company is the Butterfield Fund Services (Cayman) Limited.
- (f) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.