



**MINTH GROUP LIMITED**

**敏實集團有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 425)

**INTERIM REPORT 2011**

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## The Board

### Executive directors

Chin Jong Hwa (*Chairman*)  
Shi Jian Hui (*Chief Executive Officer*)  
Mu Wei Zhong  
Zhao Feng  
Kawaguchi Kiyoshi

### Non-executive directors

Mikio Natsume  
Yu Zheng  
He Dong Han

### Independent Non-executive directors

Wang Ching  
Zhang Liren  
Wu Fred Fong

## Company Secretary

Loke Yu

## Registered Office

Cricket Square,  
Hutchins Drive, P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## Head Office and Principal Place of Business in China

No. 8 Dagang No. 6 Road  
Ningbo Economic and Technology  
Development Zone  
Postal Code 315800  
China  
Tel: (86 574) 8680-1018  
Fax: (86 574) 8680-1020  
Website: [www.minthgroup.com](http://www.minthgroup.com)

## Principal Place of Business in Hong Kong

7/F, Allied Kajima Building  
138 Gloucester Road  
Hong Kong

## Principal Bankers

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

China Construction Bank  
Jiaxing branch  
198 Ziyang Street  
Jiaxing  
China

Goldman Sachs (Asia) L.L.C.  
68/F, Cheung Kong Center  
2 Queen's Road, Central  
Hong Kong

## Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited  
Butterfield House, 68 Fort Street  
P.O. Box 609  
Grand Cayman KY1-1107  
Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

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

## Auditor

Deloitte Touche Tohmatsu  
Certified Public Accountants  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

## Legal Advisers

*As to Hong Kong Law*  
Reed Smith Richards Butler  
20/F, Alexandra House  
18 Chater Road, Central  
Hong Kong

*As to PRC Law*  
Zhejiang T&C Law Firm  
8/F Block A Dragon Century Square  
1 Hangda Road  
Hangzhou  
China

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

## Stock Code

SEHK Code: 0425

### Industry Overview

During the six months ended 30 June 2011 (the “Review Period”), the China passenger vehicle market overcame the challenge of various unfavorable factors, such as the expiry of the tax incentives, the restriction in purchasing vehicles in some cities, and the Tōhoku earthquake in Japan in March 2011. In the first half of 2011, 7.04 million units of passenger vehicle were produced, representing an increase of 5.36% over the same period last year, and 7.11 million units of passenger vehicles were sold, representing an increase of 5.75% over the same period last year. Overall sales continued to grow although the pace of growth was substantially lower than that of the same period last year. However, with the production ramp-up of the Japanese OEMs and all the global OEMs’ focus on the China market, the sales of the passenger vehicles in China showed signs of recovery by the end of the Review Period.

Globally, the vehicle market of the United States (the “US”) continued to recover and grow while the sales of Japanese vehicle market which was hit by the Tōhoku earthquake in Japan, fell significantly. The European vehicle market had temporarily recovered with subsequently tumbling again, while other emerging markets including India had been experiencing a slower growth rate. Nevertheless, the increasingly strong momentum of the global procurement and the global platform vehicles provided more export opportunities for the auto parts industry of China.

### Company Overview

Minth Group Limited (the “Company”) and its subsidiaries (the “Group”) are primarily engaged in the design, manufacture and sale of trims, decorative parts, body structural parts and other related auto parts. As the Group has established manufacturing bases in China, North America, Mexico and Thailand, with the support of the technical centres in Japan, North America and the sale network in Germany spanning across Europe, the Group is consolidating its presence in existing markets, gradually exploring and entering other emerging markets, and serving the global market.

During the Review Period, the Group's sales to Japanese OEMs declined and the growth of overall turnover slowed down due to the impact of temporary negative factors, such as disruption of supply chain of parts and cut in production by Japanese OEMs arising from the Tōhoku earthquake in Japan, and the slowdown in the growth rate of China's passenger vehicle market. However, the Group has continued to strengthen and develop its relationship with its customers and adopted various measures in streamlining its production process, increasing yield rate, reducing wastage and further implementing the centralized procurement. Also benefiting from the Group's forward-looking global strategic planning, the Group's growth in overseas markets and export revenue have offset the impact from the short-term unfavorable factors, while the Group's turnover recorded modest growth and gross profit margin remained decent.

As the passenger vehicle market recovers, the Group has been strengthening its internal management, adjusting its management structure, attempting to raise the efficiency in management, improving its risk-control system and enhancing its capability in research and development ("R&D"), while promoting staff remuneration to foster the harmonious development between the Company and staff, and to prepare for consolidating its position in the domestic market and gaining share in the overseas markets.

### Business and Operation Layout

During the Review Period, domestic sales of the Group was approximately RMB1,305,926,000, basically similar as approximately RMB1,311,926,000 in the same period last year. With the gradual commencement of production capacity of the plants located in Thailand and Mexico, the increase in export arising from the recovery of the US market and OEMs' global procurement strategy, the Group's overseas sales maintained a sustainable growth to approximately RMB504,664,000, representing an increase of approximately RMB100,125,000 or approximately 24.8% as compared with approximately RMB404,539,000 in the same period last year.

Research and production of the seat frame systems enabled the Group to extend its product line-up. During the Review Period, the Group entered into a share purchase agreement regarding the acquisition of 45% equity interest in KFTC (Beijing) Co., Ltd., with

a purpose of strengthening the strategic partnership with Hyundai Motor, expanding the product line-up of the Group and the business scale with Korean OEMs. On 17 May 2011, the Group and Toyota Auto Body Co., Ltd. entered into an agreement for the formation of a joint-venture company by way of disposing the equity stake in such company, which will be engaged in the welfare vehicle business. The Group hopes to capture the opportunities arising from rapidly growing demand for rehabilitation products in China and gain market share in early stage of the niche market. Further, the Group may build a closer relationship with Toyota Motor Corporation by virtue of such cooperation. For details of the acquisition and joint venture Company mentioned above, please refer to the announcements of the Company dated 7 March 2011 and 17 May 2011, respectively.

Despite the adverse effect on the Group's results during the Review Period by negative factors such as the disruption of the supply chain of parts caused by the Tōhoku earthquake in Japan, the cooperation between the Group and the Japanese OEMs were not affected. During the Review Period, the Group has for the first time become a supplier of service parts to Dongfeng Honda. The Group also secured more global orders from Nissan Motor and achieved more opportunities in Toyota's new car models in China, which would in turn enhance the Group's exposure in Toyota China.

Meanwhile, the Group has endeavoured to implement strategies in diversifying customers, and further strengthened its cooperation with the European, American and Korean OEMs. The growth of turnover during the first half of the year was attributable to its cooperation with these OEMs and the growth of export. During the Review Period, the Group has entered the German Audi supplier system for the first time and received orders for new projects.

The Group's expansion and development of the manufacturing bases, located in Wuhan, Jiaxing and Huai'an, respectively, enables the Group to improve production capacity at a lower cost and provide JIT service to the customers. In terms of investment, the Group has been actively seeking and prudently reviewing the appropriate opportunities and timing to expand its product line-up, enhance the quality of its R&D and consolidate and expand its overseas manufacturing bases, sales network and market share.

### Research and Development

During the Review Period, the Group remained dedicated to the R&D of automotive exterior parts with focuses on weight reduction, electronics and system integration to move up the value chain. Moreover, the Group also continued investing in the research of new businesses such as service parts, welfare vehicle parts and new energy powered vehicle and its relevant parts. The research for new businesses will definitely facilitate the Group in establishing a market position in the relevant market.

The smooth operation of the R&D centres in North America and Japan enabled the Group to track the trend of international technological development and improve the Group's capability of concurrent design in order to foster the rapid and sustainable development of its research capability. During the Review Period, the Group filed 79 patent applications for approval and 81 patent applications were authorized by the competent institutions.



## Financial Review

	Six months ended 30 June 2011 (unaudited) RMB'000	Six months ended 30 June 2010 (unaudited) RMB'000
Turnover	1,810,590	1,716,465
Gross profit	649,003	640,597
Profit before tax	470,438	486,027
Income tax expense	(63,352)	(59,959)
Profit for the period attributable to:		
Owners of the Company	388,226	406,206
Non-controlling interests	18,860	19,862

## Results

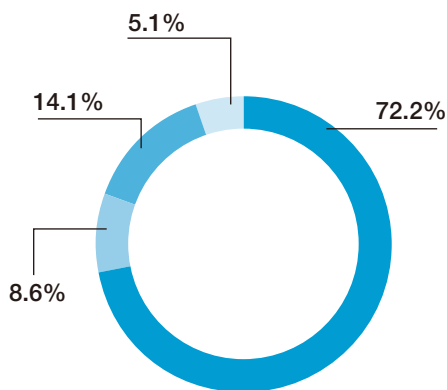
During the Review Period, the Group's turnover was approximately RMB1,810,590,000, representing an increase of approximately 5.5% from approximately RMB1,716,465,000 in the same period last year. The growth rate of the turnover has slowed down, resulting from a decline in the growth of the passenger vehicle industry within the People's Republic of China ("PRC") and the short-term unfavorable factors under the Tōhoku earthquake in Japan. However, capitalizing on the Group's insightful marketing strategy, a growth of approximately 24.8% was recorded for overseas markets, offsetting the adverse effects from the short-term unfavorable factors, thereby achieving an overall growth in turnover.

During the Review Period, the profit attributable to owners of the Company was approximately RMB388,226,000, representing a decrease of approximately 4.4% from approximately RMB406,206,000 in the same period last year. This was mainly attributable to an increase in staff costs as the Group recruited more senior international talents to explore new business and promote long-term sustainability as well as the diminishing economies of scale due to the slowdown of the growth in turnover.

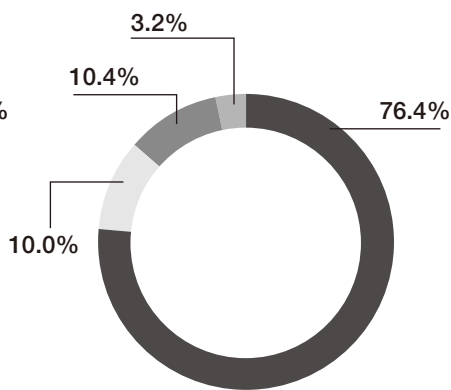
## Segment Revenue

An analysis on turnover by geographical markets based on location of customers is as follows:

Customer category	Six months ended 30 June 2011		Six months ended 30 June 2010	
	RMB'000	%	RMB'000	%
China	1,305,926	72.2	1,311,926	76.4
Asia Pacific	155,293	8.6	171,384	10.0
North America	256,171	14.1	177,867	10.4
Europe	93,200	5.1	55,288	3.2
<b>Total turnover</b>	<b>1,810,590</b>	<b>100.0</b>	<b>1,716,465</b>	<b>100.0</b>



Six months ended 30 June 2011



Six months ended 30 June 2010

72.2%	China	76.4%
8.6%	Asia Pacific	10.0%
14.1%	North America	10.4%
5.1%	Europe	3.2%

### Gross Profit

During the Review Period, the Group's overall gross profit margin was approximately 35.8%, representing a decrease of approximately 1.5% from 37.3% in the same period last year. This was mainly due to a slowdown of the growth in turnover and the pressure that the Group continued to face from the increase of the raw material price in the international markets, the increase of labor costs and a reduction in the price of the Group's products. In order to offset the unfavorable impact of market forces, the Group undertook measures, including continuous improvement in the manufacturing processes and technologies, a greater utilization rate of materials and implementation of a centralized procurement policy. In addition, the Group continued to enhance the efficiency of both production and management, to maintain the overall gross profit margin at a decent level.

### Investment Income

During the Review Period, the investment income of the Group was approximately RMB32,043,000, representing an increase of approximately RMB14,048,000 from approximately RMB17,995,000 in the same period last year. This was mainly due to an increase in the interest income from bank deposits, following an increase in the interest rate of bank deposits during the Review Period.

### Other Income

During the Review Period, other income of the Group amounted to approximately RMB60,318,000, representing an increase of approximately RMB39,855,000 as compared to approximately RMB20,463,000 in the same period last year. This was mainly attributable to an increase in both government subsidies and other service income.

## Other Gains and Losses

During the Review Period, the Group's other gains and losses amounted to a loss of approximately RMB5,279,000. This was primarily due to the change in the fair value of the forward exchange contracts entered into by the Group, to mitigate against foreign currency risk by the Group as at the end of the Review Period, as well as the net foreign exchange losses arising from the foreign exchange rate fluctuation during the Review Period.

## Distribution and Selling Expenses

During the Review Period, the Group's overall distribution and selling expenses amounted to approximately RMB67,669,000, representing an increase of approximately RMB6,261,000 from approximately RMB61,408,000 in the same period last year. This represents approximately 3.7% of the turnover of the Group, which was close to approximately 3.6% in the same period last year.

## Administrative Expenses

During the Review Period, the administrative expenses of the Group amounted to approximately RMB140,583,000, representing an increase of approximately RMB33,785,000 from approximately RMB106,798,000 in the same period last year. The proportion of the Group's turnover for the Review Period was approximately 7.8%, representing an increase of approximately 1.6% as compared to approximately 6.2% in the same period last year. This was mainly due to the increase in labor costs in maintaining the Group's competitiveness, the increase in the costs incurred from the development of new businesses by the Group, and a slow-down in the growth of the Group's turnover.

### Research Expenditures

During the Review Period, the research expenditures of the Group amounted to approximately RMB83,344,000, representing an increase of approximately RMB9,980,000 from approximately RMB73,364,000 in the same period last year. The proportion of the Group's turnover for the Review Period was 4.6%, representing an increase of 0.3% from approximately 4.3% in the same period last year. This was mainly attributable to the Group's continuous increase in R&D expenditures in order to maintain its competitiveness in the market and sustainability through the promotion of technological innovations and enhancement of R&D capabilities.

### Share of Profits of Jointly Controlled Entities

During the Review Period, the Group's share of profits of jointly controlled entities was approximately RMB14,751,000, representing an increase of approximately RMB3,861,000 compared to approximately RMB10,890,000 in the same period last year. This was mainly due to the fact that the Group's jointly controlled entity in North America achieved a higher growth in profit, and the profit of the jointly controlled entity in the PRC also witnessed a steady growth, during the Review Period.

### Share of Profits of Associates

During the Review Period, the Group's share of profits of associates was approximately RMB15,489,000, representing a decrease of approximately RMB7,058,000 compared to approximately RMB22,547,000 in the same period last year. This was mainly due to the high exposure to the Japanese OEMs by two associates of the Group, and the fact that their profits decreased resulting from a temporary production disruption of Japanese OEMs in the aftermath of the Tōhoku earthquake in Japan.

## Income Tax Expense

During the Review Period, the Group's income tax expense was approximately RMB63,352,000, representing an increase of RMB3,393,000 from approximately RMB59,959,000 in the same period last year.

During the Review Period, the effective tax rate was approximately 13.5%, representing an increase of approximately 1.2% from approximately 12.3% in the same period last year. This was mainly due to the fact that statutory tax rate for certain subsidiaries gradually increased during the transition period, resulting in the increase of the effective tax rate.

## Non-Controlling Interests

During the Review Period, the Group's profit attributable to non-controlling interests was approximately RMB18,860,000, representing a slight decrease of approximately RMB1,002,000 compared to approximately RMB19,862,000 in the same period last year.

## Liquidity and Financial Resources

As of 30 June 2011, the Group's total cash and bank balances amounted to approximately RMB3,216,769,000, representing an increase of approximately RMB58,544,000 compared to approximately RMB3,158,225,000 as of 31 December 2010. As of 30 June 2011, the Group's low-cost borrowings amounted to approximately USD31,310,000, approximately Japanese Yen ("JPY") 2,365,893,000, approximately HKD232,500,000 and approximately Thai Baht ("THB") 30,000,000, equivalent to approximately RMB202,626,000, approximately RMB189,846,000, approximately RMB193,347,000 and approximately RMB6,291,000 respectively, which was approximately RMB592,110,000 in total, representing an increase of loans of approximately RMB184,660,000 compared to approximately RMB407,450,000 as of 31 December 2010. The increase was mainly due to the borrowings the Group brought in, considering the consolidated gains from expected exchange rate fluctuation, favorable interest rate and capital structure optimization.

During the Review Period, the net cash flow from the Group's operating activities was approximately RMB256,401,000, indicating a sound cash flow condition.

Receivables turnover days were approximately 73 days, extending 9 days from approximately 64 days for the same period last year. This was mainly due to the continuous growth of turnover from overseas markets, and the fact that the receivables turnover days of overseas customers were longer than the average repayment days of the Group.

Payables turnover days were approximately 44 days, which remained at a similar level as approximately 43 days for the same period last year.

Inventories turnover days were approximately 59 days, representing an increase of 5 days as compared with approximately 54 days in the same period last year. These were mainly due to the higher development costs associated with the increase in new projects, and a relatively longer turnover days for overseas inventories.

As of 30 June 2011, the Group's current ratio slightly decreased to 4.1 from 4.5 in 2010. As of 30 June 2011, the Group's gearing ratio increased to 8.4% from 6.1% in 2010.

Note: The calculation methods for the above indicators are the same as those set out in the prospectus dated 22 November 2005.

The Group's borrowing requirements have no particular seasonality features.

The Group believes that during the Review Period, the favorable performance in sales, production and R&D activities, as well as the healthy cash reserves have laid a solid foundation for the Group's future sustainable growth.

## Commitments

As of 30 June 2011, the Group had the following commitments:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
acquisition of property, plant and equipment	51,125	95,142
acquisition of an associate	130,050	–
Capital expenditure authorised but not contracted for in respect of:		
acquisition of property, plant and equipment	17,005	–

## Interest Rate and Foreign Exchange Risks

As of 30 June 2011, the Group's bank borrowing balance was approximately RMB592,110,000, of which approximately RMB202,626,000 was denominated in USD, approximately RMB189,846,000 was denominated in JPY, approximately RMB193,347,000 was denominated in HKD and remaining approximately RMB6,291,000 was denominated in THB, which were at floating and fixed interest rates. The aforesaid borrowings had no seasonality and would mature within one year.

Most of the Group's sales and procurements are denominated in RMB. However, with the expansion of the Group's overseas operations in the future, the management of the Group is closely monitoring the foreign currency risk.



The Group's cash and cash equivalents are mainly denominated in RMB, Hong Kong dollars ("HKD"), USD, Euro ("EUR"), THB, JPY and Mexican Peso ("MXN"). Remittance of funds out of the PRC is subject to the foreign exchange control restrictions imposed by the PRC government.

As at 30 June 2011, the Company and its certain subsidiaries had cash and cash equivalents of approximately RMB410,484,000 which was denominated in foreign currency, of which approximately RMB359,757,000 was denominated in USD, approximately RMB17,736,000 was denominated in HKD, approximately RMB5,158,000 was denominated in JPY, approximately RMB27,789,000 was denominated in EUR and remaining approximately RMB44,000 was denominated in other foreign currencies.

### Contingent Liabilities

As of 30 June 2011, the Group had no contingent liabilities (2010: Nil).

### Mortgaged Assets

As of 30 June 2011, the Group had borrowings of approximately JPY795,523,000 (equivalent to approximately RMB63,835,000) by mortgaging bank deposits of approximately RMB64,063,000, which was mainly denominated in USD and EUR. The repayment currency for these borrowings was JPY (2010: the Group had borrowings of approximately JPY548,152,000 by mortgaging bank deposits of approximately USD8,584,000).

## Capital Expenditure

Capital expenditure includes acquisition of properties, plant and equipment, increase in construction in progress and new addition of land use rights. During the Review Period, the Group's capital expenditure amounted to approximately RMB215,540,000 (the same period last year: approximately RMB133,562,000). The increase in capital expenditure was attributable to the Group's expansion of production capacity and the increase of production facilities and land bank.

## Placing and Subscription

The Group had no placing and subscription of shares of the Company during the Review Period.

## Substantial Acquisitions and Disposals

The Group made no substantial acquisitions or disposals during the Review Period.

## Employees

As of 30 June 2011, the Group had a total number of 6,511 employees, representing an increase of 158 employees compared to that as of 31 December 2010. This was mainly due to the conservation of talents for the development of new businesses of the Group. The increase in the number of senior staff resulted in a relatively higher labor costs compared to the same period last year. However, the Group believes that the income brought from the development of new businesses will be significantly higher than the increase of labor costs.

The management of the Company has introduced enhancement program for all employees, motivating them to optimize the production flow and enhance production efficiency, in order to reduce the comprehensive cost of the Group. Meanwhile, a succession plan has been fully implemented to identify the promising talents and introduce the high-level and international talents to meet the needs of the Group for its development and to build up the core competitiveness of the Group.

### Directors

During the Review Period, the directors of the Company (“Directors”) were as follows:

#### Executive directors

Mr. Chin Jong Hwa  
Mr. Shi Jian Hui  
Mr. Mu Wei Zhong  
Mr. Zhao Feng  
Mr. Kawaguchi Kiyoshi

#### Non-executive directors

Mr. Mikio Natsume  
Ms. Yu Zheng  
Mr. He Dong Han

#### Independent non-executive directors

Dr. Wang Ching  
Mr. Zhang Liren  
Mr. Wu Fred Fong

## Share Option Scheme

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

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. All directors, employees, and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, services providers of any member of the Group to whom the Board considers, in its sole discretion, have contributed or will contribute to the Group are eligible to participate in the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years after the date on which the Share Option Scheme is adopted.

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% (“General Scheme Limit”) of the Share of the Company in issue on 1 December 2005, the date of listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company may renew the General Scheme Limit with shareholders’ approval provided that each such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders’ approval.

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

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

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option. A nominal consideration of HKD1 is payable on acceptance of the grant of an option.

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

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

As at 30 June 2011 and pursuant to the Share Option Scheme, the total number of Share Options of the Company (“Share Options”) the Company granted to the employees including the Directors and their connected persons amounted to 80,600,000 Share Options. As at the date of this report, the number of Share Options that could still be granted under the Share Option Scheme was 7,075,000 Share options, representing approximately 0.66% of the 1,076,391,000 Shares of the Company in issue as at 23 August 2011, being the date of this report. Details are as follows:

Name and status of participants	Number of Shares (Note 1)					Date of Grant (Note 2)	Exercising Period (Note 3)	Exercise price per Share (HKD) (Note 4)
	Outstanding as at 1 January 2011	Granted during the Period	Exercised during the Period	Lapsed during the Period	Outstanding as at 30 June 2011			
<b>Directors, chief executives and substantial shareholders and their respective connected persons</b>								
Mr. Shi Jian Hui	400,000	—	—	—	400,000	4-7-2008	1-2-2010 to 12-11-2013	5.34
	400,000	—	—	—	400,000	4-7-2008	1-2-2011 to 12-11-2013	5.34
	—	600,000	—	—	600,000	10-6-2011	1-2-2012 to 12-11-2016	10.89
	—	600,000	—	—	600,000	10-6-2011	1-2-2013 to 12-11-2016	10.89
	—	800,000	—	—	800,000	10-6-2011	1-2-2014 to 12-11-2016	10.89
Mr. Mu Wei Zhong	300,000	—	—	—	300,000	4-7-2008	1-2-2010 to 12-11-2013	5.34
	300,000	—	—	—	300,000	4-7-2008	1-2-2011 to 12-11-2013	5.34
	—	300,000	—	—	300,000	10-6-2011	1-2-2012 to 12-11-2016	10.89
	—	300,000	—	—	300,000	10-6-2011	1-2-2013 to 12-11-2016	10.89
	—	400,000	—	—	400,000	10-6-2011	1-2-2014 to 12-11-2016	10.89
Mr. Zhao Feng	300,000	—	—	—	300,000	4-7-2008	1-2-2010 to 12-11-2013	5.34
	300,000	—	—	—	300,000	4-7-2008	1-2-2011 to 12-11-2013	5.34
	—	300,000	—	—	300,000	10-6-2011	1-2-2012 to 12-11-2016	10.89
	—	300,000	—	—	300,000	10-6-2011	1-2-2013 to 12-11-2016	10.89
	—	400,000	—	—	400,000	10-6-2011	1-2-2014 to 12-11-2016	10.89

## Management Discussion and Analysis

Name and status of participants	Number of Shares (Note 1)				Outstanding as at 30 June 2011	Date of Grant (Note 2)	Exercising Period (Note 3)	Exercise price per Share (HKD) (Note 4)
	Outstanding as at 1 January 2011	Granted during the Period	Exercised during the Period	Lapsed during the Period				
Mr. Kawaguchi Kiyoshi	—	150,000	—	—	150,000	10-6-2011	1-2-2012 to 12-11-2016	10.89
	—	150,000	—	—	150,000	10-6-2011	1-2-2013 to 12-11-2016	10.89
	—	200,000	—	—	200,000	10-6-2011	1-2-2014 to 12-11-2016	10.89
Mr. He Dong Han	—	300,000	—	—	300,000	10-6-2011	1-2-2012 to 12-11-2016	10.89
	—	300,000	—	—	300,000	10-6-2011	1-2-2013 to 12-11-2016	10.89
	—	400,000	—	—	400,000	10-6-2011	1-2-2014 to 12-11-2016	10.89
Ms. Zhu Chun Ya (Note 5)	225,000	—	—	—	225,000	4-7-2008	1-2-2010 to 12-11-2013	5.34
	225,000	—	—	—	225,000	4-7-2008	1-2-2011 to 12-11-2013	5.34
Subtotal	2,450,000	5,500,000	—	—	7,950,000			
Other Participants	3,820,000	—	1,130,500	37,500	2,652,000	4-7-2008	1-2-2010 to 12-11-2013	5.34
	8,380,000	—	1,070,500	37,500	7,272,000	4-7-2008	1-2-2011 to 12-11-2013	5.34
	—	10,050,000	—	—	10,050,000	10-6-2011	1-2-2012 to 12-11-2016	10.89
	—	10,050,000	—	—	10,050,000	10-6-2011	1-2-2013 to 12-11-2016	10.89
	—	13,400,000	—	—	13,400,000	10-6-2011	1-2-2014 to 12-11-2016	10.89
Subtotal	12,200,000	33,500,000	2,201,000	75,000	43,424,000			
<b>Total</b>	<b>14,650,000</b>	<b>39,000,000</b>	<b>2,201,000</b>	<b>75,000</b>	<b>51,374,000</b>			

Note 1: Numbers of shares in the Company over which options granted under the Share Option Scheme are exercisable.

Note 2: The closing price of the Share immediately before the date on which the Share Options were granted on (i) 4 July 2008, i.e. on 3 July 2008 was HKD5.05, and (ii) 10 June 2011, i.e. on 9 June 2011 was HKD11.02.

Note 3: The option period for the Share Options granted on 4 July 2008 is for five years four months and eight days and such Share Options vested in tranches beginning on 1 February 2010 as to 50%, and the remainder vesting on 1 February 2011. The option period for the Share Options granted on 10 June 2011 is for five years five months and two days and such Share Options will vest in tranches beginning on 1 February 2012 as up to 30%, up to a further 30% vesting on 1 February 2013, and the remainder vesting on 1 February 2014.

Note 4: The exercise price of the Share Options is subject to adjustment in the case of rights or bonus issues, or other similar changes.

Note 5: Spouse of Mr. Zhao Feng, a director of the Company, and an adviser of the Group.

During the Review Period, the grantees who are not Directors have exercised 2,201,000 Share Options, and 75,000 Share Options lapsed due to the resignations of the grantees who are not Directors.

Since the date of adoption of the Share Option Scheme to the date of this report, Mr. Shi Jian Hui, Mr. Mu Wei Zhong and Mr. Zhao Feng, all being directors, and Ms. Zhu Chun Ya, Mr. Zhao Feng's spouse, have exercised 500,000, 500,000, 500,000 and 500,000 Share Options, respectively. Since the date of adoption of the Share Option Scheme to the date of this report, the grantees who are not Directors of the Company have exercised 22,891,000 Share Options, and 4,675,000 Share Options lapsed due to the resignations of the grantees who are not Directors.

Other than pursuant to the Share Option Scheme as disclosed above, no option was granted, exercised, cancelled or lapsed as at the date of this report since the adoption of the Share Option Scheme.

Particulars of the Company's Share Option Scheme are set out in note 20 to the condensed consolidated financial statements.

## Outlook and Strategies

China's national economy will still maintain a good development trend in the foreseeable future. The approach that the nation will propel the domestic demand remains unchanged. There is still a strong growth potential for the passenger vehicle market. The impact on Japanese OEMs from the Tōhoku earthquake in Japan is diminishing, who are now able to gradually pick up. Capitalizing on the demand from customers and the market, the Group will achieve a recovering growth and create greater value for the shareholders.



The Group will be guided by market demand to extend product line-up. The production of the new products such as seat frame system will increase the Group's dollar content per vehicle. In addition, expansion of production capacity, development of overseas facilities and enhancement of global response capabilities will aid the Group to gain more market share globally.

For the mid-to-long term, the Group noticed that with the increase of vehicle population and aging of the vehicles in China, demand of the aftermarket products and service will see high growth. Entering the aftermarket with its existing technology and customer base is one of the Group's strategies. Meanwhile, the Group expects to set foot in the market of welfare vehicles and the relevant parts and get involved in the special utility vehicle business. Energy-saving vehicle and new energy vehicle are the trend of future development in the automobile industry, which the PRC government has been encouraging and promoting. All these early-stage investment and continued research and development in new businesses are believed to bring significant returns for the Group in the future.

The Group believes that with the increase in global procurement demand and development in the aftermarket, the automotive part industry in China will have a longer cycle of development compared to the vehicle industry. In the future, manufacturers of automotive parts with advanced R&D capability, large scale and established abundant experience in the industry will have bigger room for sustainable development. By further enhancing its share in the global market, increasing its dollar content per vehicle and exploring new business opportunities, the Group is expecting a sustainable development and endeavors to create greater returns for the Company's shareholders and the society.

## Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (the same period last year: nil).

## Substantial Shareholders

As at 30 June 2011, the interests or short positions of substantial shareholders, other than the Directors or chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “SFO”) were as follows:

Name of Substantial Shareholder	Capacity	Long/Short position	Number of Shares	Percentage of the Company's Issued Share Capital (Note 1)
Wei Ching Lien	Interest of spouse	Long position	436,664,000 (Note 2)	40.58%
Linkfair Investments Limited (“Linkfair”)	Beneficial owner	Long position	436,664,000 (Note 3)	40.58%
Commonwealth Bank of Australia	Interest of controlled corporations	Long position	80,296,000 (Note 4)	7.46%
Capital Research and Management Company	Investment manager	Long position	64,822,000	6.02%
FMR LLC	Interest of controlled corporations	Long position	55,120,000 (Note 5)	5.12%
The Capital Group Companies, Inc.	Interest of controlled corporations	Long position	54,456,000 (Note 6)	5.06%
JPMorgan Chase & Co. (Note 7)	Beneficial owner	Long position	498,000	0.05%
		Short position	450,000	0.04%
	Investment manager	Long position	6,930,000	0.64%
	Custodian corporation / approved lending agent	Long position	46,775,733	4.35%

## Other Information

- Note 1: Percentages shown are that as recorded in the Section 352 SFO register kept by the Company. As at 30 June 2011, the total issued share capital of the Company was 1,076,051,000.
- Note 2: Since Ms. Wei Ching Lien is the spouse of Mr. Chin Jong Hwa (“Mr. Chin”), the Chairman and an executive director of the Company, she was deemed to be interested in 436,664,000 Shares in which Mr. Chin was deemed to be interested.
- Note 3: Linkfair, a company wholly-owned by Mr. Chin, was interested in 436,664,000 Shares.
- Note 4: According to the information disclosed to the Company under Division 2 and 3 of Part XV of the SFO, these shares were held by corporations controlled directly or indirectly as to 100% by Commonwealth Bank of Australia.
- Note 5: As at 30 June 2011, based on the disclosure of interest forms filed with the Stock Exchange, FMR LLC was interested in 55,120,000 Shares in aggregate which are held through 2 entities controlled by it. Based on the forms, FMR LLC is interested in the Shares in the capacity of an investment manager and is deemed to be interested in the Shares in which Fidelity Management & Research Company (46,397,000 Shares) and Fidelity Management Trust Company, Pyramis Global Advisors LLC (8,723,000 Shares) are respectively interested in for the purpose of Part XV of the SFO.
- Note 6: According to the information disclosed to the Company under Division 2 and 3 of Part XV of the SFO, these Shares were held by corporations controlled directly or indirectly as to 100% by The Capital Group Companies, Inc..
- Note 7: As at 30 June 2011, according to the information disclosed to the Company under Division 2 and 3 of Part XV of the SFO, these Shares were held by corporations controlled directly or indirectly as to 100% by JPMorgan Chase & Co..

## Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 30 June 2011, the interests and short positions of the Directors and the chief executives in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

Name of Director	Company/ Name of Associated Corporation	Long/Short position	Nature of Interest	Total Number of Shares	Percentage of the Company's Issued Share Capital (Note 1)
Chin Jong Hwa	Company	Long position	Interest of controlled corporation (Note 2)	436,664,000	40.58%
Shi Jian Hui	Company	Long position	Beneficial owner	3,032,000 (Note 3)	0.28%
Mu Wei Zhong	Company	Long position	Beneficial owner	1,712,000 (Note 4)	0.16%
Zhao Feng	Company	Long position	Beneficial owner and interest of spouse (Note 5)	2,204,000 (Note 5)	0.20%
Kawaguchi Kiyoshi	Company	Long position	Beneficial owner	500,000 (Note 6)	0.05%
He Dong Han	Company	Long position	Beneficial owner	1,000,000 (Note 6)	0.09%

Note 1: The Percentage of the Company's issued share capital is based on the 1,076,051,000 issued share capital as at 30 June 2011.

Note 2: Linkfair is beneficially interested in 436,664,000 Shares. Linkfair is wholly-owned by Mr. Chin and he is therefore deemed to be interested in the entire 436,664,000 Shares held by Linkfair. Since Ms. Wei Ching Lien is the spouse of Mr. Chin, she was deemed to be interested in 436,664,000 shares in which Mr. Chin was deemed to be interested.

Note 3: These figures represent the aggregated number of 232,000 Shares held by Mr. Shi and 2,800,000 Share Options granted to Mr. Shi under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Shi will acquire an aggregate of 3,032,000 Shares.

Note 4: These figures represent the aggregated number of 112,000 Shares held by Mr. Mu and 1,600,000 Shares Options granted to Mr. Mu under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Mu will acquire an aggregate of 1,712,000 Shares.

Note 5: These figures represent the aggregated number of 104,000 Shares held by and 1,600,000 Shares Options granted to Mr. Zhao under the Share Option Scheme and 50,000 Shares held by and 450,000 Share Options granted to Ms. Zhu under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Zhao will acquire an aggregate of 1,704,000 Shares and Ms. Zhu will acquire an aggregate of 500,000 Shares. Since Mr. Zhao is the spouse of Ms. Zhu, he is deemed to be interested in the foresaid Shares in which Ms. Zhu is interested.

Note 6: These figures represent the aggregated number of Share Options granted under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Kawaguchi Kiyoshi and Mr. He Dong Han will acquire 500,000 Shares and 1,000,000 Shares, respectively.

Other than as disclosed above, as at 30 June 2011, none of the Directors, chief executives and their associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## Purchase, Sale or Redemption of the Listed Securities of the Company

During the Review Period, the grantees who are not Directors have exercised 2,201,000 Share Options, and 75,000 Share Options lapsed due to the resignations of the grantees who are not Directors.

Since the date of adoption of the Share Option Scheme and up to 30 June 2011, Mr. Shi Jian Hui, Mr. Mu Wei Zhong and Mr. Zhao Feng, all being directors, and Ms. Zhu Chun Ya, Mr. Zhao Feng's spouse, have exercised 500,000, 500,000, 500,000 and 500,000 Share Options, respectively. The grantees who are not Directors of the Company have exercised 22,551,000 Share Options, and 4,675,000 Share Options lapsed due to the resignations of the grantees who are not Directors.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2011.

## Compliance with the Code on Corporate Governance Practices and the Model Code

None of the Directors is aware of any information that would reasonably indicate that the Company did not, at any time during the Review Period, comply with the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Listing Rules.

The Company has adopted the Model Code in Appendix 10 of the Listing Rules as the code for securities transactions by all Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the Model Code and the standards stipulated under such code during the Review Period.

## Audit Committee

The Company has an Audit Committee consisting three independent non-executive Directors, namely Mr. Wu Fred Fong (chairman of the Audit Committee), Dr. Wang Ching and Mr. Zhang Liren. The Audit Committee reviews the Group’s systems of internal control, the completeness and accuracy of the Group’s financial statements and liaises on behalf of the Directors with external auditor. The Audit Committee members meet regularly with the management and external auditor to review the audit reports as well as the interim and annual financial statements of the Group. The Audit Committee has reviewed the unaudited condensed consolidated financial statements and this interim report for the six months ended 30 June 2011, and recommended their adoption by the Board.

By Order of the Board  
**Minth Group Limited**  
**Chin Jong Hwa**  
*Chairman*

Hong Kong, 23 August 2011

To the Board of Directors of Minth Group Limited

### Introduction

We have reviewed the interim financial information set out on pages 32 to 64, which comprises the condensed consolidated statement of financial position of Minth Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

23 August 2011



# Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2011

	NOTES	Six months ended 30 June	
		2011 (unaudited) RMB'000	2010 (unaudited) RMB'000
Turnover		1,810,590	1,716,465
Cost of sales		(1,161,587)	(1,075,868)
Gross profit		649,003	640,597
Investment income	4	32,043	17,995
Other income	5	60,318	20,463
Other gains and losses	6	(5,279)	17,823
Distribution and selling expenses		(67,669)	(61,408)
Administrative expenses		(140,583)	(106,798)
Research expenditures		(83,344)	(73,364)
Interest on bank borrowings wholly repayable within five years		(4,291)	(2,718)
Share of profits of jointly controlled entities		14,751	10,890
Share of profits of associates		15,489	22,547
Profit before tax		470,438	486,027
Income tax expense	7	(63,352)	(59,959)
Profit for the period	8	407,086	426,068
<b>Other comprehensive income</b>			
Exchange differences arising on translation of foreign operations		(5,556)	(3,287)
Fair value gain (loss) on available-for-sale financial assets		15,646	(28,696)
Income tax relating to fair value change of available-for-sale financial assets		(1,957)	2,707
Other comprehensive income (expense) for the period (net of tax)		8,133	(29,276)
Total comprehensive income for the period		415,219	396,792

# Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2011

	NOTE	Six months ended 30 June	
		2011 (unaudited) RMB'000	2010 (unaudited) RMB'000
Profit for the period attributable to:			
Owners of the Company		388,226	406,206
Non-controlling interests		18,860	19,862
		407,086	426,068
Total comprehensive income for the period attributable to:			
Owners of the Company		397,045	376,608
Non-controlling interests		18,174	20,184
		415,219	396,792
Earnings per share	10		
Basic		RMB0.361	RMB0.403
Diluted		RMB0.359	RMB0.398

# Condensed Consolidated Statement of Financial Position

at 30 June 2011

	NOTES	At 30 June 2011 (unaudited) RMB'000	At 31 December 2010 (audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	11	1,262,081	1,213,320
Prepaid lease payments		397,007	306,686
Goodwill		15,276	15,276
Other intangible assets	12	34,170	19,659
Interests in jointly controlled entities		73,572	59,577
Interests in associates		126,443	110,954
Available-for-sale investments	13	189,284	173,638
Loans receivables	14	15,725	29,693
Deferred tax assets		29,602	33,523
		<b>2,143,160</b>	<b>1,962,326</b>
<b>Current assets</b>			
Prepaid lease payments		8,640	6,708
Inventories		526,536	452,594
Loans receivables	14	41,998	30,715
Trade and other receivables	15	1,061,778	1,011,807
Derivative financial assets	16	8,271	15,999
Other financial assets		3,000	–
Pledged bank deposits		72,038	62,463
Bank balances and cash		3,216,769	3,158,225
		<b>4,939,030</b>	<b>4,738,511</b>
<b>Current liabilities</b>			
Trade and other payables	17	558,853	572,844
Tax liabilities		42,189	65,300
Borrowings	18	592,110	407,450
Derivative financial liabilities	16	4,236	–
		<b>1,197,388</b>	<b>1,045,594</b>
<b>Net current assets</b>		<b>3,741,642</b>	<b>3,692,917</b>
<b>Total assets less current liabilities</b>		<b>5,884,802</b>	<b>5,655,243</b>

# Condensed Consolidated Statement of Financial Position

at 30 June 2011

	NOTE	At 30 June 2011 (unaudited) RMB'000	At 31 December 2010 (audited) RMB'000
<b>Capital and reserves</b>			
Share capital	19	109,090	108,904
Share premium and reserves		5,585,065	5,412,372
Equity attributable to owners of the Company		5,694,155	5,521,276
Non-controlling interests		162,428	111,717
<b>Total equity</b>		<b>5,856,583</b>	<b>5,632,993</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		28,219	22,250
		28,219	22,250
<b>Total equity and liabilities</b>		<b>5,884,802</b>	<b>5,655,243</b>

# Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2011

	Share capital	Share premium	Special reserve	Other reserve	Statutory surplus reserve fund	Enterprise expansion fund	Investment revaluation reserve	Exchange reserve	Share options reserve	Retained profits	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010 (audited)	99,385	1,955,852	276,199	28,772	94,291	11,159	-	(24,351)	17,734	1,376,811	3,835,852	111,331	3,947,183
Profit for the period	-	-	-	-	-	-	-	-	-	406,206	406,206	19,862	426,068
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(3,609)	-	-	(3,609)	322	(3,287)
Fair value loss on available-for-sale financial assets	-	-	-	-	-	-	(28,696)	-	-	-	(28,696)	-	(28,696)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-	2,707	-	-	-	2,707	-	2,707
Total comprehensive income for the period	-	-	-	-	-	-	(25,989)	(3,609)	-	406,206	376,608	20,184	396,792
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	1,956	-	1,956	-	1,956
Transfer to reserve fund	-	-	-	-	537	-	-	-	-	(537)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,691)	(1,691)
Dividends recognised as distribution (note 9)	-	-	-	-	-	-	-	-	-	(205,944)	(205,944)	-	(205,944)
Shares issued	8,530	1,036,134	-	-	-	-	-	-	-	-	1,044,664	-	1,044,664
Transaction costs attributable to issue of shares	-	(19,943)	-	-	-	-	-	-	-	-	(19,943)	-	(19,943)
Exercise of share options	601	41,545	-	-	-	-	-	-	(6,392)	-	35,754	-	35,754
	9,131	1,057,736	-	-	537	-	-	-	(4,436)	(206,481)	856,487	(1,691)	854,796
At 30 June 2010 (unaudited)	108,516	3,013,588	276,199	28,772	94,828	11,159	(25,989)	(27,960)	13,298	1,576,536	5,068,947	129,824	5,198,771
At 1 January 2011 (audited)	108,904	3,040,032	276,199	28,772	100,065	11,159	12,304	(43,758)	11,334	1,976,265	5,521,276	111,717	5,632,993
Profit for the period	-	-	-	-	-	-	-	-	-	388,226	388,226	18,860	407,086
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(4,870)	-	-	(4,870)	(686)	(5,556)
Fair value gain on available-for-sale financial assets	-	-	-	-	-	-	15,646	-	-	-	15,646	-	15,646
Income tax relating to components of other comprehensive income	-	-	-	-	-	-	(1,957)	-	-	-	(1,957)	-	(1,957)
Total comprehensive income for the period	-	-	-	-	-	-	13,689	(4,870)	-	388,226	397,045	18,174	415,219
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	4,518	-	4,518	-	4,518
Transfer to reserve fund	-	-	-	-	1,673	-	-	-	-	(1,673)	-	-	-
Transfer to other reserve for share options forfeited after the vesting date	-	-	-	57	-	-	-	-	(57)	-	-	-	-
Dividends recognised as distribution (note 9)	-	-	-	-	-	-	-	-	-	(238,583)	(238,583)	-	(238,583)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	32,537	32,537
Exercise of share options	186	11,354	-	-	-	-	-	-	(1,641)	-	9,899	-	9,899
	186	11,354	-	57	1,673	-	-	-	2,820	(240,256)	(224,166)	32,537	(191,629)
At 30 June 2011 (unaudited)	109,090	3,051,386	276,199	28,829	101,738	11,159	25,993	(48,628)	14,154	2,124,235	5,694,155	162,428	5,856,583

for the six months ended 30 June 2011

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

As stipulated by the relevant laws and regulations for foreign investment enterprise in the Mainland China (the “PRC”), the PRC subsidiaries are required to maintain a statutory surplus reserve fund which is non-distributable. Appropriations to such reserves are made out of profit after taxation of the statutory financial statements of the PRC subsidiaries. The amount and basis of allocation are decided by its respective board of directors annually. The statutory surplus reserve fund can be used to make up its prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue.

The investment revaluation reserve represents the changes in fair value net of tax of available-for-sale financial assets of the Group.

## Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2011

	Six months ended 30 June	
	2011 (unaudited) RMB'000	2010 (unaudited) RMB'000
<b>Net cash from operating activities</b>	<b>256,401</b>	<b>216,711</b>
<b>Investing activities</b>		
Interest received	28,427	15,570
Dividends received from available-for-sale investments	3,740	3,367
Dividends received from jointly controlled entities	–	1,762
Proceeds on redemption of other financial assets and derivative financial instruments	1,637,702	1,160,081
Repayment from jointly controlled entities	12,943	10,240
Proceeds on disposal of property, plant and equipment	7,811	2,250
Refund of deposit paid for acquisition of land use rights	21,097	–
Release of pledged bank deposits	11,302	2,597
New pledged bank deposits made	(20,877)	(99,664)
Purchases of property, plant and equipment	(120,138)	(96,291)
Investment in other financial assets and derivative financial instruments	(1,631,133)	(1,283,292)
Prepaid rentals for lease premium for land	(95,402)	(37,271)
Purchases of other intangible assets	(19,705)	(7,673)
Addition of loan receivables	(11,658)	–
Purchases of available-for-sale investments	–	(159,578)
<b>Net cash used in investing activities</b>	<b>(175,891)</b>	<b>(487,902)</b>

# Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2011

	Six months ended 30 June	
	2011 (unaudited) RMB'000	2010 (unaudited) RMB'000
<b>Financing activities</b>		
Repayment of borrowings	(1,066,515)	(1,779,371)
Dividends paid to owners of the Company	(238,583)	(205,944)
Dividends paid to non-controlling interests	(11,091)	(1,691)
Interest paid	(4,291)	(2,718)
New borrowings raised	1,258,674	1,831,267
Capital contributions from non-controlling shareholders	32,537	–
Proceeds from exercise of share options	9,899	35,754
Proceeds from issue of new shares	–	1,044,664
Transaction costs attributable to issue of shares	–	(19,943)
<b>Net cash (used in) from financing activities</b>	<b>(19,370)</b>	<b>902,018</b>
<b>Net increase in cash and cash equivalents</b>	<b>61,140</b>	<b>630,827</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>3,158,225</b>	<b>1,964,985</b>
Effect of foreign exchange rate changes	(2,596)	(6,131)
<b>Cash and cash equivalents at end of the period, represented by</b>		
Bank balances and cash	3,216,769	2,589,681



# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011

## 1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Listing Rules) and with Hong Kong Accounting Standard 34 (HKAS 34), Interim Financial Reporting.

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

## 2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations (“new or revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”):

- Improvements to HKFRSs issued in 2010
- HKAS 24 (as revised in 2009) Related Party Disclosure
- Amendments to HKAS 32 Classification of Rights Issues
- Amendments to HK (IFRIC) – Int 14 Prepayments of a Minimum Funding Requirement
- HK (IFRIC) – Int 19 Extinguishing Financial Liabilities with Equity Instruments.

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

for the six months ended 30 June 2011

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>2</sup>
HKAS 19 (Revised 2011)	Employee Benefits <sup>1</sup>
HKAS 27 (Revised 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2012

HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 and HKAS 28 are new or revised standards on consolidation, joint arrangements and disclosures which were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The Directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios including scenarios where an investor may control an investee with less than majority of voting rights. Overall, the application of HKFRS 10 requires extensive use of judgement. The Directors are assessing the impact of the application of HKFRS 10 might have on the results and financial position of the Group. Such impact will be disclosed in future consolidated financial statements of the Group upon completion of the assessments.

Other than those disclosed above, the directors of the Company anticipate that the application of these new or revised standards will have no material impact on the results and the financial position of the Group.

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011

## 3. Segment Information

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

### For the six months ended 30 June 2011 (unaudited)

	PRC RMB'000	Asia Pacific RMB'000	North America RMB'000	Europe RMB'000	Consolidated RMB'000
Revenue					
External sales	1,305,926	155,293	256,171	93,200	1,810,590
Segment profit	471,273	54,560	83,059	41,313	650,205
Investment income					32,043
Other unallocated income					53,837
Unallocated expenses					(291,596)
Interest on bank borrowings wholly repayable within five years					(4,291)
Share of profits of jointly controlled entities					14,751
Share of profits of associates					15,489
Profit before tax					470,438
Income tax expense					(63,352)
Profit for the period					407,086

for the six months ended 30 June 2011

For the six months ended 30 June 2010 (unaudited)

	PRC	Asia Pacific	North America	Europe	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
External sales	1,311,926	171,384	177,867	55,288	1,716,465
Segment profit	483,494	63,766	67,886	25,445	640,591
Investment income					17,995
Other unallocated income					38,286
Unallocated expenses					(241,564)
Interest on bank borrowings wholly repayable within five years					(2,718)
Share of profits of jointly controlled entities					10,890
Share of profits of associates					22,547
Profit before tax					486,027
Income tax expense					(59,959)
Profit for the period					426,068

Segment profit represents the gross profit earned by each segment after adjusting impairment of trade receivables and inventories relating to its sales. This is the measure reported to board of directors for the purposes of resource allocation and performance assessment.

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011

Information about major customers:

Details of the customers accounting for 10% or more of total turnover are as follows:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Customer A	278,524	259,157

The customer above is located in PRC.

## 4. Investment Income

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Interest on bank deposits	27,207	13,891
Interest on loan receivables	1,095	737
Dividends from listed equity securities	3,741	3,367
Total investment income	32,043	17,995

for the six months ended 30 June 2011

## 5. Other Income

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Government grants (note)	25,012	2,691
Service and consultation income	21,473	4,336
Sales of scrap and raw materials	8,298	7,996
Property rental income	2,181	2,167
Others	3,354	3,273
<b>Total</b>	<b>60,318</b>	<b>20,463</b>

Note: The amounts represent the incentive subsidies granted by the PRC local government authorities to the group entities for incentive of the group entities with good performance in quality control or involving in hi-tech know-how industry and product development activities. The government grants have been approved by and received or became receivable from the PRC local government authorities at the end of the reporting period.

## Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011

### 6. Other Gains and Losses

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
(Losses) gains on disposal of property, plant and equipment	(417)	430
Net foreign exchange losses	(3,825)	(2,846)
(Losses) gains on change in fair value of derivative financial assets	(2,149)	8,563
Change in fair value of financial assets designated as at FVTPL	(90)	13,453
Impairment loss reversed (recognised) for bad and doubtful debts	1,202	(6)
Impairment for property, plant and equipment	–	(1,771)
<b>Total</b>	<b>(5,279)</b>	<b>17,823</b>

for the six months ended 30 June 2011

## 7. Income Tax Expense

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Current tax:		
PRC Enterprise Income Tax	55,274	60,950
Other jurisdictions	255	113
Withholding income tax paid	–	176
	55,529	61,239
Over-provision in prior years:		
PRC Enterprise Income Tax	(110)	(2,363)
Deferred tax		
Current period	7,933	1,083
	63,352	59,959

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group are still entitled to exemption from PRC income tax for two years starting from their first profit making year, followed by a 50% reduction for the next three years ("Tax Holidays"). The tax holidays will expire in 2012.



## Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No.39), certain of the group entities located in the PRC have been entitled to the following tax concession under the EIT Law:

- (1) The tax exemption and 50% deduction from foreign enterprise income tax for the foreign investment enterprises is still applicable until the end of the five-year transitional period under the EIT Law.
- (2) Those entities that previously enjoyed tax incentive rate at 15% would increase their applicable tax rate progressively to 25% over a five-year transitional period.
- (3) Those entities which are located in specific provinces of western China and engaged in specific encouraged industries still enjoy a preferential tax rate of 15% under EIT Law.
- (4) Those entities which are qualified as “Hi-New Tech Enterprises” would enjoy a preferential tax rate of 15% under EIT Law and subject to annual renewal.

Under the relevant tax law and implementation regulations in the PRC, withholding income tax is applicable to interest and dividends payable to investors that are “non-tax resident enterprises”, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to off-shore group entities shall be subject to the withholding tax at 10% or a lower treaty rate. Under tax treaty, withholding tax rate on distributions to Hong Kong resident companies is 5%. Therefore, withholding tax has been provided for based on the anticipated dividends to be distributed by the PRC entities.

for the six months ended 30 June 2011

## 8. Profit for the Period

Profit for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Depreciation of property, plant and equipment	60,925	51,779
Amortisation of other intangible assets (included in cost of sales, administrative expenses and research expenditures)	5,194	5,312
Total depreciation and amortisation	66,119	57,091
Cost of inventories recognised	1,161,587	1,075,868
Write-down (reversals) of inventories	249	(4,200)

## 9. Dividends

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Dividends recognised as distribution during the period: 2010 Final – HK\$0.266 (2010: 2009 final dividend HK\$0.219) per share	238,583	205,944

On 10 June 2011, a dividend of HK\$0.266 per share (2010: HK\$0.219 per share) was paid to shareholders as the final dividend for 2010.

The directors do not recommend the payment of an interim dividend.

## Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011

### 10. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	388,226	406,206
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,075,001	1,008,865
Effect of dilutive share options	7,447	10,589
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,082,448	1,019,454

The weighted average number of ordinary shares for the current period for the purpose of basic earnings per share has been adjusted for the share options exercised during the six months ended 30 June 2011.

The computation of diluted earnings per share does not assume the exercise of the Company's unvested options granted in 2011 as the adjusted exercise price of those options is higher than the average market price for shares during the six months ended 30 June 2011.

The weighted average number of ordinary shares for the prior period for the purpose of basic earnings per share has been adjusted for the placing on 19 April 2010 and the share options exercised during the six months ended 30 June 2010.

for the six months ended 30 June 2011

## 11. Property, Plant and Equipment

During the period, the Group spent approximately RMB119,774,000 (RMB95,601,000 for the six months ended 30 June 2010) on the construction of the manufacturing plant and acquisitions of plant and machinery in the PRC, Thailand and Mexico, in order to upgrade its manufacturing capabilities.

## 12. Other Intangible Assets

During the period, the Group spent approximately RMB19,705,000 (RMB7,673,000 for the six months ended 30 June 2010) on additions to technical know-how in order to upgrade its manufacturing capabilities.

## 13. Available-for-sale Investments

Available-for-sale investments comprise:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Listed investments:		
– Equity securities listed in PRC	189,284	173,638

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011

## 14. Loans Receivables

			Carrying amount	
Maturity date		Effective interest rate	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Fixed-rate loan receivables from a jointly controlled entity	31 August 2011 (notes a and b)	2.75%/2.75%	27,109	27,621
Variable-rate loan receivables from a jointly controlled entity	five business days following written notice (notes c and d)	2.75%/2.75%	15,725	29,693
Fixed-rate loan receivables from an associate	27 February 2012, 1 March 2012 & 2 June 2012/9 December 2011 (note e)	3.36%-3.37%/3.37%	14,889	3,094
			<b>57,723</b>	<b>60,408</b>
Analysed as				
Current			41,998	30,715
Non-current			15,725	29,693
			<b>57,723</b>	<b>60,408</b>

Notes:

- Included in the amount is the amount of interest receivables of approximately RMB187,000 (31 December 2010: RMB70,000).
- During the six months ended 30 June 2011, both the Group and the jointly controlled entity agreed to extend the maturity date of the amount from 6 June 2011 to 31 August 2011.
- Included in the amount is the amount of interest receivables of approximately RMB193,000 (31 December 2010: RMB553,000).

for the six months ended 30 June 2011

- d. Pursuant to the loan agreement, there is no fixed maturity date for the loan to a jointly controlled entity, the amount will become payable upon the call of the Group five days in advance. The directors of the Company consider that the Group will not ask for the repayment within the following 12 months, therefore, the loan is presented as a non-current asset in the condensed consolidated financial statements.
- e. Included in the amount is the amount of interest receivables of approximately RMB124,000 (31 December 2010: RMB6,000).

## 15. Trade and Other Receivables

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade receivables		
– associates	8,480	13,534
– jointly controlled entities	32,997	31,143
– non-controlling interests of subsidiaries	16,935	30,643
– third parties	725,296	743,975
Less: allowance for doubtful debts	(3,689)	(3,617)
	780,019	815,678
Bill receivables	70,783	49,471
	850,802	865,149
Other receivables	30,580	23,172
Less: allowance for doubtful debts	(320)	(550)
	881,062	887,771
Prepayments	106,105	58,903
Value-added tax recoverable	11,963	1,758
Refundable guarantee deposit for acquisition of land use rights	20,000	41,057
Subsidy receivable	20,330	–
Dividend receivable from an associate	17,084	17,084
Dividend receivable from a jointly controlled entity	5,234	5,234
Total trade and other receivables	1,061,778	1,011,807

## Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011

The Group normally grants a credit period of 60 days to 90 days to customers effective from the date when the goods are delivered and accepted by customers. The following is an aged analysis of trade receivables and bill receivables net of allowance for doubtful debts at the end of the reporting period:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Age		
0 – 90 days	823,035	842,015
91 – 180 days	22,989	13,809
181 – 365 days	4,625	9,020
Over 1 year	153	305
	<b>850,802</b>	<b>865,149</b>

## 16. Derivative Financial Assets/Derivative Financial Liabilities

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
<b>Derivative financial assets</b>		
Foreign exchange forward contracts (a)	8,271	15,179
Structured option contracts (b)	–	820
	<b>8,271</b>	<b>15,999</b>
<b>Derivative financial liabilities</b>		
Foreign exchange forward contracts (a)	3,024	–
Structured option contracts (b)	1,212	–
	<b>4,236</b>	<b>–</b>

for the six months ended 30 June 2011

(a) Foreign exchange forward contracts

At 30 June 2011, the Group had a number of outstanding foreign exchange forward contracts. Derivative financial assets of RMB8,271,000 (31 December 2010: RMB15,179,000) and derivative financial liabilities of RMB3,024,000 (31 December 2010: nil) have been recognised in accordance with the fair value of the above foreign exchange forward contracts, respectively. These amounts are based on market prices quoted by the counterparty financial institutions at the reporting date.

(b) Structured option contracts

At 30 June 2011, the Group had a number of outstanding structured option contracts. Derivative financial liabilities of RMB1,212,000 (31 December 2010: derivative financial assets of RMB820,000) have been recognised. The fair value of the Group's structured option contracts is based on market prices quoted by the counterparty financial institutions at the reporting date.



## Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011

### 17. Trade and Other Payables

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade payables		
– associates	4,542	5,032
– jointly controlled entities	35,566	26,942
– non-controlling interests of subsidiaries	10,288	21,533
– third parties	280,719	280,042
	331,115	333,549
Payroll and welfare payables	47,940	62,862
Advance from customers	39,447	27,366
Consideration payable for acquisition of property, plant and equipment	24,851	25,215
Dividend payable to non-controlling shareholders of subsidiaries	–	11,091
Technology support service fees payable	25,534	29,002
Marketing and administration services fees payable to a jointly controlled entity	12,869	5,669
Others	77,097	78,090
	558,853	572,844

for the six months ended 30 June 2011

The following is an aged analysis of trade payables presented based on the date when the goods are received and accepted by the Group, at the reporting date:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Age		
0 – 90 days	319,970	323,332
91 – 180 days	6,331	7,241
181 – 365 days	1,481	794
1 – 2 years	1,499	1,647
Over 2 years	1,834	535
	<b>331,115</b>	<b>333,549</b>

## 18. Borrowings

During the period, the Group obtained new bank loans amounting to RMB1,258,674,000 (RMB1,831,267,000 for the six months ended 30 June 2010). The loans bear interest at fixed and variable market rates and are repayable within one year. Repayments of bank loans amounting to RMB1,066,515,000 (RMB1,779,371,000 for the six months ended 30 June 2010) were made in line with the relevant repayment terms. The proceeds were used to provide additional working capital for the Group.

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011

## 19. Share Capital

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2010, 30 June 2010, 31 December 2010 and 30 June 2011	5,000,000	500,000

	Number of shares '000	Share capital RMB'000
Issued and fully paid:		
As at 1 January 2010	965,556	99,385
Issue of shares by private placement under general mandate	97,000	8,530
Exercise of share options	6,841	601
As at 30 June 2010	1,069,397	108,516
As at 1 January 2011	1,073,850	108,904
Exercise of share options	2,201	186
At 30 June 2011	1,076,051	109,090

On 8 April 2010, a series of arrangements were made for a private placement to independent private investors of 97,000,000 shares of HK\$0.1 each in the Company, at a price of HK\$12.25 per share representing a discount of approximately 8% to the closing market price of the Company's shares on 7 April 2010.

These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 8 April 2010 and rank pari passu with other shares in issue in all aspects.

for the six months ended 30 June 2011

## 20. Share-Based Payment Transactions

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 13 November 2005 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 13 November 2015.

In the current period, share options were granted on 10 June 2011. The fair values of the options determined at the date of grant using the Binomial model was HK\$132,115,000 (equivalent to RMB110,105,000). The vesting period of the share options are as follows: 30% from 10 June 2011 to 31 January 2012, 30% from 10 June 2011 to 31 January 2013 and 40% from 10 June 2011 to 31 January 2014.

The closing price of the Company's shares immediately before 10 June 2011, the date of grant, was HK\$11.02.

The table below discloses movement of the Company's share options held by the Group's employees:

	Number of share options
Outstanding as at 1 January 2011	14,650,000
Granted during the period	39,000,000
Exercised during the period	(2,201,000)
Forfeited during the period	(75,000)
Outstanding as at 30 June 2011	51,374,000
Outstanding as at 1 January 2010	25,994,000
Exercised during the period	(6,841,000)
Forfeited during the period	(50,000)
Outstanding as at 30 June 2010	19,103,000

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$12.27.

## Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011

The following assumptions were used to calculate the fair value of share options:

	Option type		
	2011A	2011B	2011C
Grant date share price	HK\$10.70	HK\$10.70	HK\$10.70
Exercise price	HK\$10.89	HK\$10.89	HK\$10.89
Expected volatility	46%	46%	46%
Option life	5.43 years	5.43 years	5.43 years
Risk-free rate	1.38%	1.38%	1.38%
Expected dividend yield	2.60%	2.60%	2.60%
Early exercise multiple	2	2	2

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The Group recognised the total expenses of RMB4,518,000 for the six months ended 30 June 2011 (RMB1,956,000 for the six months ended 30 June 2010) in relation to share options granted by the Company.

for the six months ended 30 June 2011

## 21. Commitments

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
acquisition of property, plant and equipment	51,125	95,142
acquisition of an associate (note)	130,050	–
Capital expenditure authorised but not contracted for in respect of:		
acquisition of property, plant and equipment	17,005	–

Note:

In March 2011, the Group entered into an agreement with independent third parties, Korea Fuel-Tech Corporation and Mr. Chung Koo Lee for the acquisition of a total of 45% equity interest in Beijing KFTC Co., Ltd. for a total consideration of RMB130,050,000 with an option of 4 years from 1 January 2012 to acquire an additional 20% interest in it for a consideration of RMB57,800,000. The acquisition is still in the process of numbers of approvals by relevant government authorities. At 30 June 2011, the Group has not paid any sum yet in respect of the acquisition consideration and the acquisition is still in progress.

## 22. Agreement of Disposal of a Subsidiary

In May 2011, the Group entered into an agreement with an independent third party for the disposal of a total of 65% equity interest in a wholly-owned subsidiary, Jiaying TAB-MINTH Mobility Equipment Co., Ltd., which is still in start-up stage with initial paid-in capital only. Up to the present, the disposal is in progress and subject to approval by the relevant government authority.

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011

## 23. Related Party Transactions and Connected Transactions

Save as disclosed in note 14, note 15 and note 17, during the period, the Group has the following significant transactions with related/connected parties during the period:

Relationship with related/ connected party	Nature of transactions	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Jointly controlled entity, in which the Group has a 49% equity interest	Sales of finished goods	11,216	7,720
	Sales of moulds	3,197	–
	Sales of raw materials	32	158
	Purchase of finished goods	36,649	25,046
	Purchases of raw materials	43,304	39,561
	Property rentals income	1,101	1,145
	Testing services income	68	264
	Testing services expense	–	59
Jointly controlled entity, in which the Group has a 49.82% equity interest	Sales of finished goods	49,216	16,985
	Property rentals income	–	310
	Interest income	978	666
	Consulting service income	5,913	2,524
	Sales of moulds	2,637	3,308

for the six months ended 30 June 2011

Relationship with related/ connected party	Nature of transactions	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Associates, in which the Group has a 48% and 49% equity interest	Sales of finished goods	34,964	32,688
	Sales of raw materials	2,871	6,121
	Sales of moulds	1,329	1,593
	Purchase of raw materials	13,151	12,338
	Property rentals income	647	616
	Testing services charges	–	646
	Technology support services charges	133	119
	Consulting service income	69	318
	Interest income	117	–
Non-controlling interests of subsidiaries	Sales of finished goods	68,781	99,607
	Sales of moulds	–	3,102
	Purchase of raw materials	38,927	43,006
	Technology support services charges	9,599	12,515
	Purchase of intangible assets	3,516	5,669
	Acquisition of equipments	–	148
	Interest expenses	–	427

The transactions mentioned above also include connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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.



## Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2011

The remuneration of directors and other members of key management during the period were as follows:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Short-term benefits	3,127	2,687
Post-employment benefits	14	8
Share-based payments	1,090	463
	4,231	3,158

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