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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)**

## FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

### FINANCIAL HIGHLIGHTS

- Turnover surged by approximately 41% to approximately RMB3,575.6 million (2009: RMB2,544.7 million).
- Gross profit rose by approximately 35% to approximately RMB1,307.4 million (2009: RMB969.9 million).
- Net profit attributable to owners of the Company grew by approximately 31% to approximately RMB811.2 million (2009: RMB621.4million).
- Basic earnings per share increased to approximately RMB0.780 (2009: RMB0.650).
- Proposed final dividend amounted to HKD0.266 per share (2009: HKD0.219).
- Capital expenditure increased by approximately 69% to approximately RMB382.8 million (2009: RMB226.3 million).
- Consolidated net asset value rose by approximately 43% to approximately RMB5,633.0 million (2009: RMB3,947.2 million).

The board (the "Board") of directors (the "Directors") of Minth Group Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 ("Review Year"), together with the comparative figures for the year ended 31 December 2009 which have been reviewed by the audit committee of the Company ("Audit Committee") as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2010*

| | | **2010** | 2009 |
|---|---|---|---|
| | *NOTES* | ***RMB'000*** | *RMB'000* |
| Turnover | *3* | **3,575,594** | 2,544,680 |
| Cost of sales | | **(2,268,156)** | (1,574,778) |
| Gross profit | | **1,307,438** | 969,902 |
| Investment income | | **39,451** | 28,331 |
| Other income | | **84,096** | 36,762 |
| Other gains and losses | | **30,546** | 7,560 |
| Distribution and selling expenses | | **(132,117)** | (90,448) |
| Administrative expenses | | **(232,865)** | (175,080) |
| Research expenditure | | **(182,845)** | (102,392) |
| Interest on borrowings wholly repayable within five years | | **(7,069)** | (1,881) |
| Share of profits of jointly controlled entities | | **19,535** | 7,837 |
| Share of profits of associates | | **46,229** | 40,828 |
| Profit before tax | | **972,399** | 721,419 |
| Income tax expense | *4* | **(122,690)** | (62,724) |
| Profit for the year | | **849,709** | 658,695 |
| **Other comprehensive income** | | | |
| Exchange differences arising on translation | | **(18,581)** | 905 |
| Fair value gain on available-for-sale financial assets | | **15,390** | – |
| Cumulative gain reclassified on disposal of available-for-sale financial assets | | **(1,330)** | – |
| Income tax relating to fair value change of available-for-sale financial assets | | **(1,756)** | – |
| Other comprehensive (expense) income for the year (net of tax) | | **(6,277)** | 905 |
| Total comprehensive income for the year | | **843,432** | 659,600 |

| | NOTE | **2010** *RMB'000* | 2009 *RMB'000* |
|---|---|---|---|
| Profit for the year attributable to: | | | |
| Owners of the Company | | **811,172** | 621,442 |
| Non-controlling interests | | **38,537** | 37,253 |
| | | **849,709** | 658,695 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **804,069** | 621,580 |
| Non-controlling interests | | **39,363** | 38,020 |
| | | **843,432** | 659,600 |
| Earnings per share | *6* | | |
| Basic | | **RMB0.780** | RMB0.650 |
| Diluted | | **RMB0.772** | RMB0.648 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 DECEMBER 2010*

| | *NOTES* | **2010** **RMB'000** | 2009 *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **1,213,320** | 1,078,348 |
| Prepaid lease payments | | **306,686** | 175,784 |
| Goodwill | | **15,276** | 15,276 |
| Other intangible assets | | **19,659** | 18,130 |
| Interests in jointly controlled entities | | **59,577** | 47,835 |
| Interests in associates | | **110,954** | 96,643 |
| Available-for-sale investments | | **173,638** | – |
| Loan receivables | | **29,693** | 52,384 |
| Deferred tax assets | | **33,523** | 14,557 |
| | | **1,962,326** | 1,498,957 |
| **Current assets** | | | |
| Prepaid lease payments | | **6,708** | 4,113 |
| Inventories | *7* | **452,594** | 400,461 |
| Loan receivables | | **30,715** | 28,906 |
| Trade and other receivables | *8* | **1,011,807** | 764,341 |
| Derivative financial assets | | **15,999** | – |
| Pledged bank deposits | | **62,463** | 168,048 |
| Bank balances and cash | | **3,158,225** | 1,964,985 |
| | | **4,738,511** | 3,330,854 |
| **Current liabilities** | | | |
| Trade and other payables | *9* | **572,844** | 507,328 |
| Tax liabilities | | **65,300** | 32,359 |
| Borrowings | | **407,450** | 331,774 |
| | | **1,045,594** | 871,461 |
| **Net current assets** | | **3,692,917** | 2,459,393 |
| **Total assets less current liabilities** | | **5,655,243** | 3,958,350 |

| | 2010 | 2009 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Capital and reserves** | | |
| Share capital | **108,904** | 99,385 |
| Share premium and reserves | **5,412,372** | 3,736,467 |
| Equity attributable to owners of the Company | **5,521,276** | 3,835,852 |
| Non-controlling interests | **111,717** | 111,331 |
| **Total equity** | **5,632,993** | 3,947,183 |
| **Non-current liabilities** | | |
| Deferred tax liabilities | **22,250** | 11,167 |
| | **5,655,243** | 3,958,350 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Company was incorporated under the Company Law of the Cayman Islands on 22 June 2005 and registered as an exempted company with limited liability. Its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1 December 2005. The Company acts as an investment holding company with its subsidiaries (the "Group") engaged in the design, develop, manufacture, process and sales of automobile body parts and moulds.

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

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

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

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("HKAS"), Amendments and Interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

| | |
|---|---|
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions |
| HKFRS 3 (as revised in 2008) | Business Combinations |
| HKAS 27 (as revised in 2008) | Consolidated and Separate Financial Statements |
| HKAS 39 (Amendments) | Eligible Hedged Items |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 |
| HKFRSs (Amendments) | Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 |
| HK(IFRIC) – Int 17 | Distributions of Non-cash Assets to Owners |
| HK – Int 5 | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the consolidated financial statements and the group's accounting policies.

**HKFRS 3 (as revised in 2008) Business Combinations**

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

**HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements**

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received.

Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

In addition, under HKAS 27 (as revised in 2008), the definition of non-controlling interest has been changed. Specifically, under the revised Standard, non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent.

As there are no transaction during the current year in which HKFRS3 (Revised) is applicable and there is no change in ownership interest in subsidiaries in which HKAS 27 (Revised) is applicable, the directors of the Company consider that the application of HKFRS3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no impact on the consolidated financial statements of the Group for the current accounting period.

Results of the Group in future periods may be affected by future transactions for which HKFRS3 (Revised), HKAS27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

**Amendments to HKAS 17 Leases**

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The application of the amendments to HKAS 17 does not affect the classification of the Group's leasehold land.

The adoption of the new and revised HKFRSs has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2010[1] |
| HKFRS 7 (Amendments) | Disclosures – Transfers of Financial Assets[3] |
| HKFRS 9 | Financial Instruments[4] |
| HKAS 12 (Amendments) | Deferred Tax: Recovery of Underlying Assets[5] |
| HKAS 24 (as revised in 2009) | Related Party Disclosures[6] |
| HKAS 32 (Amendment) | Classification of Rights Issues[7] |
| HK (IFRIC) – Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement[6] |
| HK (IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments[2] |

1 Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new Standard will affect the classification and measurement of the Group's available-for-sale investments and may affect the classification and the measurement of the Group's other financial assets.

The directors anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

## 3. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on goods or services delivered or provided by different geographic regions.

**Segment revenues and results**

The following is an analysis of the Group's revenue and results by reportable segment.

**For the year ended 31 December 2010**

| | PRC<br>*RMB'000* | North America<br>*RMB'000* | Europe<br>*RMB'000* | Asia Pacific<br>*RMB'000* | Consolidated<br>*RMB'000* |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External sales | **2,734,214** | **439,942** | **121,244** | **280,194** | **3,575,594** |
| Segment profit | **1,025,612** | **153,026** | **44,944** | **81,831** | **1,305,413** |
| Investment income | | | | | **39,451** |
| Other unallocated income | | | | | **114,642** |
| Unallocated expenses | | | | | **(545,802)** |
| Interest on bank borrowings wholly repayable within five years | | | | | **(7,069)** |
| Share of profits of jointly controlled entities | | | | | **19,535** |
| Share of profits of associates | | | | | **46,229** |
| Profit before tax | | | | | **972,399** |
| Income tax expense | | | | | **(122,690)** |
| Profit for the year | | | | | **849,709** |

**For the year ended 31 December 2009**

| | PRC<br>*RMB'000* | North America<br>*RMB'000* | Europe<br>*RMB'000* | Asia Pacific<br>*RMB'000* | Consolidated<br>*RMB'000* |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External sales | 2,152,322 | 176,889 | 70,084 | 145,385 | 2,544,680 |
| Segment profit | 810,606 | 68,973 | 32,894 | 56,696 | 969,169 |
| Investment income | | | | | 28,331 |
| Other unallocated income | | | | | 44,322 |
| Unallocated expenses | | | | | (367,187) |
| Interest on bank borrowings wholly repayable within five years | | | | | (1,881) |
| Share of profits of jointly controlled entities | | | | | 7,837 |
| Share of profits of associates | | | | | 40,828 |
| Profit before tax | | | | | 721,419 |
| Income tax expense | | | | | (62,724) |
| Profit for the year | | | | | 658,695 |

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 the board of directors for the purposes of resource allocation and performance assessment.

## 4. INCOME TAX EXPENSE

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax: | | |
| Hong Kong | **–** | 7 |
| PRC Enterprise Income Tax | **135,126** | 60,450 |
| Other jurisdictions | **253** | 280 |
| Withholding tax paid | **1,113** | 6,881 |
| | **136,492** | 67,618 |
| Over provision in prior years: | | |
| PRC Enterprise Income Tax | **(4,163)** | (2,772) |
| Deferred tax | | |
| Current year | **(9,983)** | (4,025) |
| Attributable to a change in tax rate | **344** | 1,903 |
| | **(9,639)** | (2,122) |
| | **122,690** | 62,724 |

## 5. DIVIDENDS

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Dividends recognised as distribution during the year: | | |
| 2009 Final – HK$0.219 | | |
| (2009: 2008 final dividend HK$0.151) per share | **205,944** | 126,883 |

In the annual general meeting held on 18 May 2010, a final dividend of HK$0.219 (2009: HK$0.151) per share in respect of the year ended 31 December 2009 was approved by the shareholders and subsequently paid to the shareholders of the Company.

A final dividend of HK$0.266 per share for the year ended 31 December 2010 has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting to be held on 18 May 2011.

## 6. EARNINGS PER SHARE

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

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Earnings** | | |
| Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company) | **811,172** | 621,442 |

| | **2010** | 2009 |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,040,545** | 956,241 |
| Effect of dilutive potential ordinary shares: | | |
| Options | **10,369** | 2,963 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,050,914** | 959,204 |

The weighted average number of ordinary shares 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 year ended 31 December 2010 and 2009 respectively.

## 7. INVENTORIES

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Raw materials | **160,791** | 116,044 |
| Work in progress | **72,771** | 67,958 |
| Finished goods | **96,681** | 92,671 |
| Moulds | **122,351** | 123,788 |
| | **452,594** | 400,461 |

## 8. TRADE AND OTHER RECEIVABLES

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Trade receivables** | | |
| – associates | **13,534** | 20,105 |
| – jointly controlled entities | **31,143** | 7,744 |
| – connected parties | **30,643** | 32,675 |
| – third parties | **743,975** | 598,947 |
| *Less:* Allowance for doubtful debts | **(3,617)** | (2,853) |
| | **815,678** | 656,618 |
| Bill receivables | **49,471** | 17,783 |
| | **865,149** | 674,401 |
| Other receivables | **24,930** | 24,438 |
| *Less:* Allowance for doubtful debts | **(550)** | (154) |
| | **889,529** | 698,685 |
| Prepayments | **58,903** | 65,656 |
| Refundable guarantee deposit for acquisition of land use rights | **41,057** | – |
| Dividend receivable from an associate | **17,084** | – |
| Dividend receivable from a jointly controlled entity | **5,234** | – |
| Total trade and other receivables | **1,011,807** | 764,341 |

The Group normally grants 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:

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Age** | | |
| 0 – 90 days | **842,015** | 656,358 |
| 91 – 180 days | **13,809** | 11,612 |
| 181 – 365 days | **9,020** | 5,710 |
| Over 1 year | **305** | 721 |
| | **865,149** | 674,401 |

## 9. TRADE AND OTHER PAYABLES

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | | |
| – associates | **5,032** | 24,956 |
| – jointly controlled entities | **26,942** | 3,071 |
| – connected parties | **21,533** | 19,765 |
| – third parties | **280,042** | 257,572 |
| | **333,549** | 305,364 |
| Payroll and welfare payables | **62,862** | 60,073 |
| Advance from customers | **27,366** | 21,742 |
| Consideration payable of acquisition of property, plant and equipment | **25,215** | 23,985 |
| Dividend payable to non-controlling shareholders of subsidiaries | **11,091** | – |
| Technology support services fees payable | **29,002** | 22,473 |
| Marketing and administration services fees payable to a jointly controlled entity | **5,669** | 18,273 |
| Others | **78,090** | 55,418 |
| | **572,844** | 507,328 |

The average credit period on purchases of goods is 45 days to 90 days. The Group has financial risk management policies in place to ensure that all payables will be settled within the credit time frame.

The following is an aged analysis of trade payables presented based on the invoice at the end of the reporting period:

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Age** | | |
| 0 – 90 days | **323,332** | 299,472 |
| 91 – 180 days | **7,241** | 3,535 |
| 181 – 365 days | **794** | 240 |
| 1 – 2 years | **1,647** | 2,007 |
| Over 2 years | **535** | 110 |
| | **333,549** | 305,364 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Overview

In 2010, China's passenger vehicle market sustained the speedy growth momentum from 2009. The annual production and sales of traditional passenger vehicle both exceeded 10 million units and reached approximately 11,789,000 units and 11,682,000 units respectively, representing an increase of approximately 36.9% and 35.6% as compared with 2009 respectively. Such increase outperformed the moderate market estimate at the beginning of 2010. In addition, the Chinese domestic automakers were developing towards a noticeable trend of brand diversification, car model variety and the localization of car design and manufacturing, coupled with frequent investment expansion and overseas mergers and acquisitions ("M&A").

During the Review Year, other major passenger vehicle markets around the world have shown different degrees of recovery. In particular, mature markets including the United States ("U. S.") picked up significantly. The Brazil and Russian markets reported increased sales and the Asian markets thrived vigorously.

Globally, the major automakers have been actively exploring new technical improvement, pursuing commercial opportunities and developing new energy vehicles for adjusting their strategy to accommodate market demand.

### Company Overview

The Group has established a foothold in the domestic market as its foundation, built its design and sales centers in mature markets including the U.S. and Japan, while setting up manufacturing bases in emerging markets. The Group is primarily engaged in the design, manufacture and sale of trims, decorative parts, body structural parts and other related automobile parts. During the Review Year, the Group maintained a healthy growth.

### Business and Operation Layout

With the benefit of accumulation of its long-standing experience in technology, customers and industry, and the support of the reserves in resources in the previous years, during the Review Year, the Group kept abreast of the market conditions and march towards another boom cycle with a solid growth. The Group took great leaps in consolidating, deepening and extending a broad range of worldwide cooperation relationship with the existing customers and explored new customers, so as to implement a customer diversification strategy. On the one hand, the Group integrated internal and external resources and optimized the block management structure. The Group also increased capital investment in the production bases in Guangzhou, Wuhan and Jiaxing in order to expand their production capacity. On the other hand, the Group deeply explored organizational values, and further enhanced the operational efficiency. The Group has put forward efforts on introducing and nurturing talents, with a view to cultivate and strengthen the staff's value. Taking advantage of internal risk control and the strategic and effective procurement system, the Group reaped notable success in the past year. In the China domestic market, the Group maintained a leading position and increased its competitiveness. During the Review Year, the Group's turnover from the domestic market amounted to approximately RMB2,734,214,000, representing an increase of about 27.0% as compared with the corresponding amount of approximately RMB2,152,322,000 in 2009. The Group secured orders for a number of new projects during the Review Year, and this will bring sustainable and stable turnover for the Group in the coming years.

In addition, the Group was also keen to establish new co-operative opportunities and develop new product lines. During the Review Year, the Group entered into a joint venture agreement intending to establish a joint venture in Wuhan, namely 武漢敏島汽車零部件有限公司 (Wuhan Minth Nojima Automotive Parts Co., Ltd., "Minth Nojima"), with 株式會社野島製作所 (Nojima Seisakusyo Co., Ltd., "Nojima"). Such joint venture was mainly engaged in the design, production and sales of automotive seat frame systems and other automotive parts. On 7 March 2011, the Group entered into a sale and purchase agreement to acquire 45% equity interest in 可附特(北京)有限責任公司 (KFTC (Beijing) Co., Ltd., "Beijing KFTC") from Korea Fuel-Tech Corporation and Mr. Chung Koo Lee. For further details of the above joint venture and acquisition, please refer to the announcements of the Company dated 13 December 2010 and 7 March 2011, respectively.

While achieving excellent performance in the China domestic market, the Group has continuously and progressively implemented its internationalized strategy and attained satisfactory results. During the Review Year, the Group's domestic factories raised their export to overseas markets substantially. At the same time, with the expansion of the production scale of its overseas factories, the Group's global supply networks for major customers became more comprehensive, which in turn promoted the rapid growth of overseas sales. Throughout the Review Year, the Group's overseas turnover amounted to approximately RMB841,380,000, representing a surge of approximately 114.4% when compared with approximately RMB392,358,000 in 2009. With the establishment of a sales company in Germany and the commission of Minth North America, Inc. and the research and development ("R&D") centre in Japan, the Group was able to access the global market and technical information in a timely and expeditious manner, as well as the channels for seeking talents from all over the world.

In terms of the investment, to realize the Group's investment strategy of steady growth and forward planning, the Group has been actively approaching and cautiously assessing opportunities. During the Review Year, the Group reinforced efforts in internal technological R&D while expanding its existing industry bases to boost production capacity. In addition, the Group has reserved primary resources such as land reserves so as to establish new production bases and capitalize on potential involvement in new business and new projects. At the same time, the Group will also focus on exploring suitable M&A opportunities to obtain economic benefits and other commercial interests through appropriate means when those opportunities arise.

**Research and Development**

During the Review Year, the Group stepped up R&D efforts to cover the development of new products such as automotive lightweight and electronic parts and components as well as seat frame system, and to inlcude the new business research such as welfare vehicle parts, new energy powered vehicle and relevant parts. Given that there are increasing concerns from countries around the world about facilitating the travel for the disabled people, and the driving licenses for the disabled people are liberalized by the PRC, welfare vehicle is set to become a kind of passenger car that brings more benefits for the disabled people inside and outside China in the near future. The Group will develop and supply the relevant parts for welfare vehicle, and will introduce and promote welfare vehicle to the disabled people in the PRC. As for new energy vehicles, the Group believes that low energy consumption and low emission will undoubtedly become an important aspect for the development of the automotive industry, and R&D investment made in this area is bound to generate great returns in the future.

Meanwhile, the Group actively introduced high-end talents in the field of technology development and technology management from home and abroad. Capitalizing on the Group's long-standing experience in low-cost R&D and production in the domestic market, coupled with the compliance with the direction of the national policy and the industry trends, the Group is well-poised to drive a sustainable development.

During the Review Year, the Group filed 190 patent applications for approval, and altogether 44 new cases were approved as patents during the Review Year.

**Corporate Social Responsibility**

While the Group is always in the pursuit of maximizing the Company's shareholders' ("Shareholder") return, it has taken the initiative to fulfill corporate social responsibility. On the one hand, the Group has expanded into the welfare vehicle business to facilitate the travel of the disabled people by capitalizing on its advantages in the industry. On the other hand, the Group has established charitable foundation to reward the society and spread active and healthy values.

## FINANCIAL REVIEW

**Results**

During the Review Year, taking advantage of the recovery in export and the continued growth in the domestic market, the Group achieved better performance in both turnover and profit attributable to owners of the Company.

During the Review Year, the Group's turnover was approximately RMB3,575,594,000, representing an increase of approximately 40.5% from approximately RMB2,544,680,000 in 2009. This growth in turnover was mainly attributable to the rapid growth in the Group's overseas turnover driven by the recovery in the overseas automobile market and the Group's implementation of internationalized strategy, as well as the growth brought about by the further strengthening of the market share in the domestic automotive market.

During the Review Year, the Group's profit attributable to the owners of the Company was approximately RMB811,172,000 representing an increase of approximately 30.5% from approximately RMB621,442,000 in 2009. This growth was mainly attributable to the Group's focus on cost and expense control while achieving a continued growth in turnover. Overall, the Group maintained good profitability.

*Product Sales*

During the Review Year, the Group continued to focus on the production of its core product categories, namely trims, decorative parts and body structural parts. The products were mainly sold to factories of the world's leading automakers.

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

| | **2010** | | 2009 | |
|---|---|---|---|---|
| **Customer category** | ***RMB'000*** | *%* | *RMB'000* | *%* |
| The PRC | **2,734,214** | **76.5** | 2,152,322 | 84.6 |
| Asia Pacific | **280,194** | **7.8** | 145,385 | 5.6 |
| North America | **439,942** | **12.3** | 176,889 | 7.0 |
| Europe | **121,244** | **3.4** | 70,084 | 2.8 |
| Total | **3,575,594** | **100.0** | 2,544,680 | 100.0 |

*Overseas Market Turnover*

During the Review Year, the Group's turnover from overseas markets was approximately RMB841,380,000, representing a growth of approximately 114.4% when compared to RMB392,358,000 in 2009. The proportion of such turnover to the Group's total turnover rose to approximately 23.5% in 2010 from approximately 15.4% in 2009.

*Gross Profit*

The gross profit for the Review Year amounted to approximately RMB1,307,438,000, representing an increase of approximately 34.8% when compared to approximately RMB969,902,000 in 2009. The gross profit margin in 2010 was approximately 36.6%, dropping 1.5% from approximately 38.1% in 2009. This setback was mainly due to the fact that the Group was faced with the pressures arising from increase of international market prices for raw materials, labor costs and decrease of product prices. In this light, the Group has continued to improve the production process, enhance material utilization, and centralize procurement of materials to lock in material costs. At the same time, the Group is also committed to constantly improving production and efficiency, so as to offset the negative impact of the market factors on the Group. As such, the overall gross profit margin was maintained at a relatively high level.

*Other Income*

During the Review Year, other income of the Group amounted to approximately RMB84,096,000, representing an increase of approximately RMB47,334,000 from approximately RMB36,762,000 in 2009. The increase was mainly attributable to a growth in government subsidies of approximately RMB41,103,000.

*Other Gains and Losses*

During the Review Year, other gains and losses of the Group amounted to a net gain of approximately RMB30,546,000, which was an increase of approximately RMB22,986,000 when compared to the net gain of approximately RMB7,560,000 in 2009. This was mainly because the Group entered into foreign exchange forward contracts to mitigate the risk of appreciation of RMB, and received increased income therefrom.

*Distribution and Selling Expenses*

Distribution and selling expenses of the Group amounted to approximately RMB132,117,000 during the Review Year, representing an increase of approximately 46.1% from approximately RMB90,448,000 in 2009. This was mainly due to a substantial increase in logistics costs as a result of a growth in overseas turnover. At the same time, distribution costs increased as the Group is currently at an early stage of actively expanding overseas business.

*Administrative Expenses*

Administrative expenses of the Group in the Review Year amounted to approximately RMB232,865,000, which was an increase of approximately 33.0% from approximately RMB175,080,000 in 2009. Such expense accounted for 6.5% of the Group's turnover, which was a decrease of approximately 0.4% against approximately 6.9% of the Group's turnover in 2009. This was mainly due to the Group's stringent control of administrative expenses, so that the proportion of overall administrative expenses to turnover was maintained at a fairly low level.

*Research Expenditure*

Research expenditure of the Group in the Review Year amounted to approximately RMB182,845,000, an increase of approximately 78.6% from approximately RMB102,392,000 in 2009. This was mainly attributable to the Group's increase in R&D expenditure so as to enhance its competitiveness and to sustain development through an emphasis on technical innovations and enhancement of R&D capabilities.

*Share of Profits of Jointly Controlled Entities*

The Group's share of profits in jointly controlled entities in the Review Year was approximately RMB19,535,000, increasing by approximately RMB11,698,000 when compared with a profit of approximately RMB7,837,000 in 2009. This was mainly due to the fact that the Group's jointly controlled entity in North America achieved a good growth in profit, and the Group's jointly controlled entities in China attained a steady growth in earnings during the Review Year.

*Share of Profits of Associates*

The Group's share of profits of associates in the Review Year was approximately RMB46,229,000, representing an increase of approximately RMB5,401,000 or approximately 13.2% when compared with approximately RMB40,828,000 in 2009. This was mainly due to the fact that the Group's two associates recorded a steady growth in profit over the same period in 2009.

*Income Tax Expense*

The Group's income tax expense increased from approximately RMB62,724,000 in 2009 to approximately RMB122,690,000 in 2010, representing an increase of approximately RMB59,966,000.

The Group's effective tax rate was approximately 12.6% in 2010, representing an increase of approximately 3.9% from approximately 8.7% in 2009. This was mainly because certain subsidiaries moved to a 50% reduction tax period from tax exemption period, and statutory tax rate of certain subsidiaries rose gradually during the transition period. However, as the Group was eligible to enjoy various favorable tax policies for its compliance with the national industry supporting guidelines which encouraged R&D activities, hence the overall tax rate remained low.

*Non-controlling Interests*

The Group's profit attributable to non-controlling interests were approximately RMB38,537,000 in the Review Year, representing an increase of approximately RMB1,284,000 when compared with approximately RMB37,253,000 in 2009. This was mainly because non-wholly owned subsidiaries of the Group reported a steady growth in earnings.

**Liquidity and Financial Information**

As at 31 December 2010, the Group's bank balances and cash was approximately RMB3,158,225,000, representing an increase of approximately RMB1,193,240,000, which mainly attributed to the increase in operating funds arising from the substantial operating profit of the Group, when compared with approximately RMB1,964,985,000 as at 31 December 2009. As at 31 December 2010, the Group's aggregate low-cost borrowing had amounted to approximately RMB407,450,000, which comprised of the equivalent of approximately RMB207,357,000, approximately RMB24,123,000 and approximately RMB175,970,000 denominated in United States dollars ("USD"), Thai bahts ("THB") and Japanese yen ("JPY") respectively, constituting an increase in borrowings of approximately RMB75,676,000 when compared with approximately RMB331,774,000 as at 31 December 2009. These borrowings were raised by the Group mainly due to the fact that the Group had taken into account the effect of overall management of capital structure, interest rate and exchange rate.

Current ratio increased from approximately 3.8 in 2009 to approximately 4.5 in 2010. The Group's gearing ratio as at 31 December 2010 was approximately 6.1% (2009: approximately 6.9%), which was a percentage based on the interest-bearing loans and borrowings divided by total assets.

During the Review Year, inventories turnover days were approximately 50 days, a decrease of 9 days when compared with approximately 59 days in 2009, the downward tendency of the inventories turnover days was mainly due to the Group's constant improvement of inventory management.

During the Review Year, receivables turnover days were approximately 67 days, an increase of 2 days when compared with approximately 65 days in 2009. The main causes were that the receivable turnover days for overseas customers were longer than the Group's average turnover days and the percentage of overseas turnover increased. In general, receivables turnover days were maintained at a reasonable level.

During the Review Year, payables turnover days were approximately 44 days, a decrease of 4 days when compared with approximately 48 days in 2009. This was mainly due to the prepayment of the strategic reserves for raw materials purchased by the Group to lock in the costs in light of the rapid increase of their prices.

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

**Commitments**

As at 31 December 2010, the Group had the following commitments:

| | *RMB'000* |
|---|---|
| Capital commitments: | |
| Contracted for but not provided in the financial statements: | |
| – Acquisition of property, plant and equipment | 95,142 |

## INTEREST RATE AND FOREIGN EXCHANGE RISKS

As at 31 December 2010, the Group's borrowings were approximately RMB407,450,000. Among these borrowings, approximately RMB51,780,000 were bearing interest at fixed interest rates, and approximately RMB355,670,000 were bearing interest at floating interest rates. The aforesaid borrowings had no seasonality and would mature within one year. In addition, included in the borrowings RMB383,327,000 were denominated in currencies other than the functional currencies of the relevant group entities, with the equivalent of approximately RMB207,357,000 denominated in USD and approximately RMB175,970,000 denominated in JPY.

Majority of the Group's sales and procurements are settled in RMB. With the expansion of its overseas operations, the management of the Company is closely monitoring the foreign currency risks.

All cash and cash equivalents of the Group are mainly denominated in RMB, USD and Hong Kong dollars ("HKD"). Remittance of funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

As at 31 December 2010, the Group's cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB471,197,000, with the equivalent of approximately RMB439,736,000 denominated in USD, approximately RMB15,078,000 denominated in HKD, approximately RMB5,752,000 denominated in Euro and approximately RMB10,631,000 denominated in JPY. In order to minimize the foreign exchange risks, the Group has delegated a team responsible for the planning of related work.

## CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2010 (2009: Nil).

## MORTGAGED ASSETS

As at 31 December 2010, the Group had borrowed approximately JPY548,152,000 (equivalent to approximately RMB44,543,000) by mortgaging the time deposits amounted to USD8,584,000. This loan is to be settled in JPY. (2009: the Group had borrowed approximately USD22,800,000 and approximately JPY14,002,000 (equivalent to approximately RMB155,683,000 and approximately RMB1,033,000 respectively) by mortgaging the fixed deposits with maturity period of one year amounted to RMB162,667,000 and borrowed approximately THB45,000,000 (equivalent to approximately RMB9,207,000) by pledging the freehold lands having a net book value of approximately RMB6,674,000.)

## CAPITAL EXPENDITURE

The Group's capital expenditure includes investment in equipment, plant and property, construction in progress and land use rights amounted to approximately RMB382,837,000 (2009: approximately RMB226,343,000). These capital expenditures were attributable to the expansion of production capacity, production facilities and land reserves of the Group.

## PLACING AND SUBSCRIPTION

On 8 April 2010, the Company issued additional 97,000,000 shares of the Company ("Shares") by placing existing Shares and subscription for new Shares and raised a total of approximately HKD1,165,570,000 (equivalent to approximately RMB1,024,721,000). The net proceeds from the subscription will primarily be used to expand production capacity in the PRC and improve production networks globally (whether by mergers and acquisitions or its own establishment and expansion) with the intention of consolidating the Group's global market presence, launching new product lines to increase the Group's product offering, increasing the dollar content per vehicle and enhancing the Group's R&D capabilities. All these are with an aim in improving the overall operational capabilities of the Group.

## SUBSTANTIAL ACQUISITIONS AND DISPOSALS

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

## EMPLOYEES

As at 31 December 2010, the Group had 6,353 employees, an increase of 1,205 from that of 31 December 2009. The average number of the employees for the whole year was 5,742, an increase of 1,422 when compared to that of 2009. Hence, the total employee costs in 2010 accounted for approximately 10.1% of the Group's total turnover, which was maintained at a similar level with approximately 10.2% in 2009. The main reason is that, during the Review Year, the Company was committed to optimize the production management system, thus to enhance the production efficiency as compare with that of 2009.

During the Review Year and subsequent to the structure reform, the Group has continuously optimized the business process and company structure. Therefore, the synergy among various functional departments, headquarters and regional departments has improved. At the same time, the Group has fully explored the internal human resources and also recruited talents from outside. During the Review Year, the Group has also conducted selection amongst all employees in respect of management personnel and technical professionals, thus providing them with a platform to grow rapidly, and boosting employees' morale and the sense of belonging.

## SHARE OPTION SCHEME

The Company had adopted a conditional share option scheme ("Share Option Scheme"), which will be granted to eligible persons as rewards or incentives who have contributed or will contribute to the Group.

## FUTURE PROSPECTS

In 2010, the eye-catching performance in China's passenger car market aroused concerns about the depletion of consumer potential. The growth rate of China's passenger car market is believed to decrease in the future years.

However, from a macro perspective, the Group believes that China's passenger car ownership per capita is still low, and there are immense groups of urban and rural consumers. This means that the domestic market is far from saturation, and the market is still blessed with relatively larger room for long-term growth. On the other hand, as the technology matures and their experience accumulates, China's autoparts makers will capture more expansion opportunities in the global competition by riding on their strong design and manufacturing capabilities, which enable them to extend their reach into the global development while maintaining their local presence.

In respect of specific markets, consumer demand for passenger cars will become more diversified. The special utility car market will show a continuing growth. The Group's business approach of supplying to a wide variety of models will favour a steady source of business for the Group. The prospect of the after-sales market and new energy vehicles will provide the Group with more diversified development opportunities.

The Group is confident that leveraging on its proven records of healthy development over years of hard work, long-standing industry experience and mature production management system, reasonable layout of domestic and foreign investment, continuous R&D investment, as well as efficient and pragmatic management team, the Group is well-poised to cultivate and strengthen its core competencies. The Group can create swift growth by keeping ahead of market upturn, whereas it can identify opportunities and challenges to integrate its resources and prepare for a better future in time of market adversity. By building a firm foothold and earning a larger share in the PRC market, the Group will maintain its dominance in the domestic market. Through active participation in international competition, the Group gains access to worldwide orders, and expands its share in the global market. The Group will expand its product lines to seek a new growth point. Also, the Group will gradually expand into the after-sales service parts market, new energy vehicles and relevant parts and components market, as well as welfare vehicle and relevant parts and components market, in order to strive for long-term growth potential, maintain steady business growth, create higher returns for Shareholders and provide greater value for the whole community.

## PURCHASE, SALE OR REDEMPTION

Since the adoption of the Share Option Scheme and up to 31 December 2010, each of the three Directors, namely Mr. Shi Jian Hui, Mr. Mu Wei Zhong and Mr. Zhao Feng, and Mr. Zhao Feng's spouse, Ms. Zhu Chun Ya, have exercised 500,000 Share options, respectively. 20,350,000 Share options have been exercised by persons who are not Directors, and 4,600,000 Share options lapsed due to resignations of persons who are not Directors.

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the Review Year.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND COMPLIANCE WITH MODEL CODE

None of the Directors is aware of any information that would reasonably indicate that the Company was not at any time during the Review Year in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the Company's code of conduct and rules governing dealings by all Directors in the securities of the Company. Having made specific enquiry of all Directors, the Directors confirmed they had strictly complied with the standards set out in the Model Code during the Review Year.

## REVIEW BY THE AUDIT COMMITTEE

The Audit Committee was established by the Company to review and supervise the financial reporting process and internal control of the Group. The annual results of the Group for the year ended 31 December 2010 have been reviewed by the Audit Committee and approved by the Board for publication.

## PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.266 per Share to Shareholders whose names appear on the register of members of the Company on 18 May 2011 and the proposed final dividend will be paid on or about 10 June 2011. The payment of dividends shall be subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on 18 May 2011 ("AGM").

## SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2010 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2010. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this Preliminary Announcement.

**CLOSURE OF REGISTER OF MEMBERS**

The Company's register of members will be closed from 13 May 2011 to 18 May 2011 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the final proposed dividend and eligible for attending and voting at the AGM, all transfer forms accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Computershare Hong Kong Investor Services Limited located at Shop 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 pm on 12 May 2011. The final proposed dividend (the payment of which is subject to the Shareholders' approval at the AGM) is to be payable on or about 10 June 2011 to Shareholders whose name appear on the register of members of the Company on 18 May 2011. The Shares will trade ex-dividend on 11 May 2011.

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

Hong Kong, 22 March 2011

*As at the date of this announcement, the board of directors comprises Mr. Chin Jong Hwa, Mr. Shi Jian Hui, Mr. Mu Wei Zhong and Mr. Zhao Feng, being executive Directors, Mr. Mikio Natsume, and Ms. Yu Zheng, being non-executive Directors; Mr. Wu Fred Fong, Dr.Wang Ching and Mr. Zhang Liren being independent non-executive Directors.*