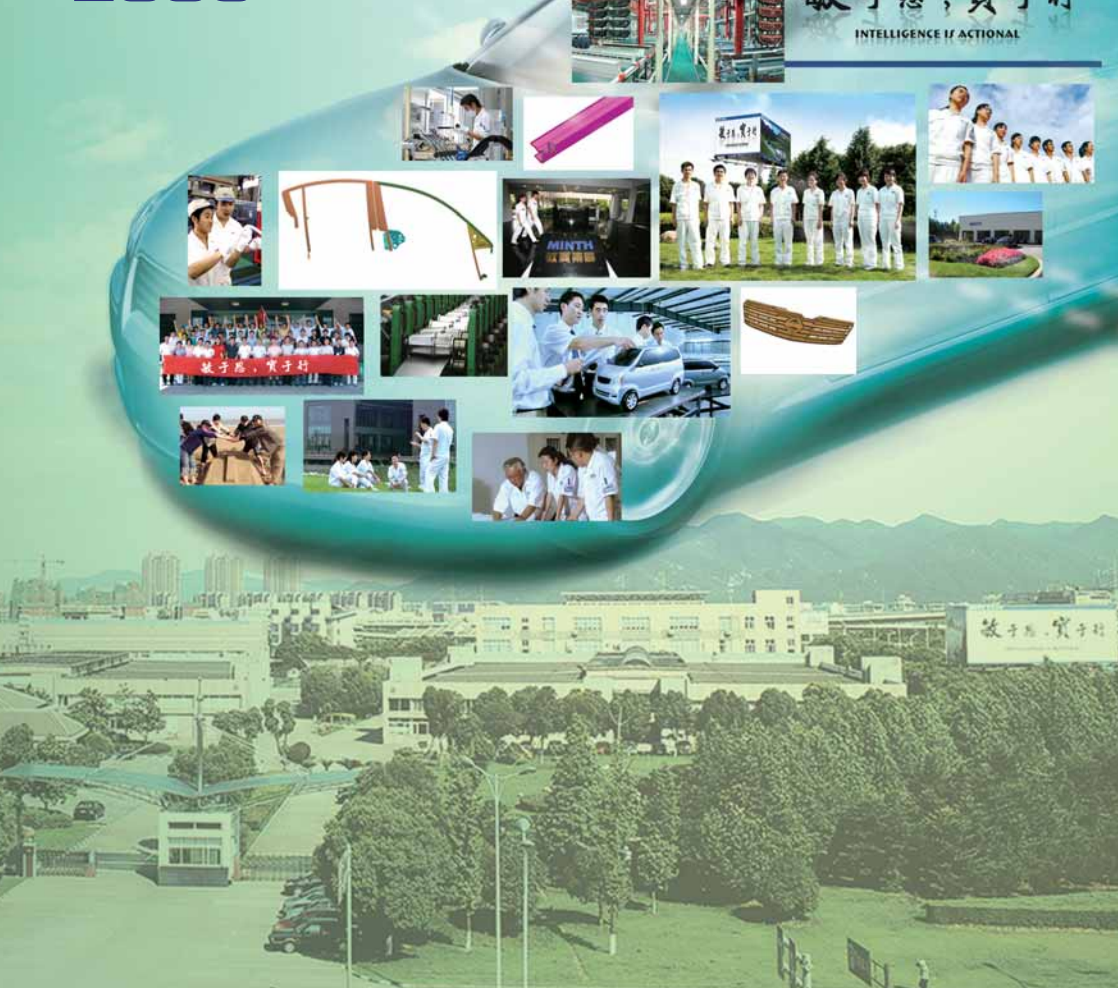
MINTH
敏實集團

MINTH GROUP LIMITED
敏 實 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 425

Interim Report 2009



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Corporate Information

The Board

Executive directors

Chin, Jong Hwa *(Chairman)*
Shi, Jian Hui *(President)*
Mu, Wei Zhong *(Vice President)*
Zhao, Feng *(Vice President)*

Non-executive directors

Mikio Natsume
Tokio Kurita
Zheng, Yu

Independent non-executive Directors

Wu, Fred Fong
Wang, Ching
Zhang, Liren

Company Secretary

Loke Yu

Registered Office

Cricket Square,
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Cayman Islands

Head Office and Principal Place of Business in China

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Postal Code 315800
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Fax: (86 574) 8680-1020
Website: www.minthgroup.com

Principal Place of Business in Hong Kong

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

Principal Bankers

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

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

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 to the Company

As to Hong Kong Law
Richards Butler
in association with Reed Smith LLP
20/F, Alexandra House
16–20 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
Cricket Square
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Grand Cayman, KY1-1111
Cayman Islands

Stock Code

SEHK Code: 0425

Company Profile

Minth Group Limited (the "Company") and its subsidiaries (together the "Group") is principally engaged in the design, manufacture, and sale of trim, decorative parts and body structural parts for passenger cars in the People's Republic of China (the "PRC"), North America and Thailand as well as export to global markets including Europe and the Asia Pacific region.

During the six months ended 30 June 2009 (the "Review Period"), the sales volume of passenger cars in China reached approximately 4,534,000 units, representing an increase of approximately 25.6% as compared with the same period in 2008. Apart from the sales volume of mini-van which has minor impact on the Group's turnover, the sales volume of traditional passenger vehicles reached approximately 3,493,300 units during the Review Period, representing an increase of approximately 14.92% as compared with the same period in 2008. Moreover, during the Review Period, according to the China Association of Automobile Manufacturers, the sales value of China's automobile parts industry was approximately 541.4 billion, representing an increase of approximately 6.56% as compared with the same period in 2008. Generally speaking, despite the turmoil of the global markets starting from the second half of 2008, a positive upward trend has been demonstrated. China's domestic automobile market has, in particular, driven by the recovery of the Chinese economy as well as stimulus package for automobile consumption by the Chinese government witnessed a recovery during the Review Period. China has overtaken the United States as the world's largest auto market in new vehicle sales for six consecutive months ended 30 June 2009.

Despite the general market growth rate slowing down in light of the market environment, the Group still maintained a healthy growth and stable development.

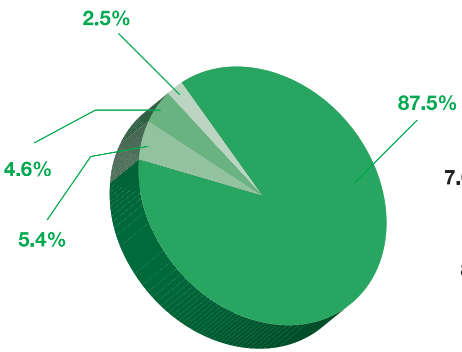
Results

During the Review Period, the Group's turnover was approximately RMB1,017,205,000, representing an increase of approximately 8.0% as compared with approximately RMB941,999,000 in the same period of 2008. Net profit attributable to equity holders of the Company was approximately RMB266,760,000, representing an increase of approximately 11.7% from approximately RMB238,912,000 in the same period of 2008.

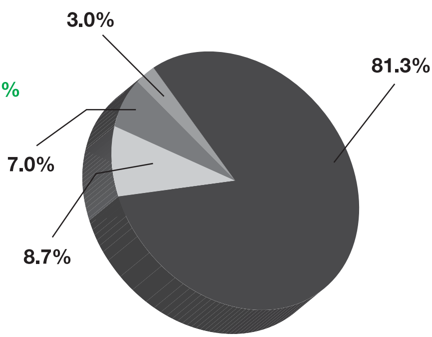
Segment Revenue

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

Customer category	Six months ended 30 June 2009 RMB'000	%	Six months ended 30 June 2008 RMB'000	%
China	**890,070**	**87.5**	765,652	81.3
Asia Pacific	**55,152**	**5.4**	81,897	8.7
North America	**46,364**	**4.6**	65,841	7.0
Europe	**25,619**	**2.5**	28,609	3.0
Total turnover	**1,017,205**	**100.0**	941,999	100.0



Six months ended 30 June 2009



Six months ended 30 June 2008

2009		2008
87.5%	**China**	81.3%
5.4%	**Asia Pacific**	8.7%
4.6%	**North America**	7.0%
2.5%	**Europe**	3.0%

Business Layout

During the Review Period, the Group's turnover from domestic market was approximately RMB890,070,000, increased by approximately RMB124,418,000 or approximately 16.2% as compared with the same period in 2008. In the meantime, according to the China Association of Automobile Manufacturers, the sales value of China's automobile parts industry was approximately RMB541.4 billion, representing an increase of approximately 6.56 % as compared with the same period in 2008. Turnover from overseas market was approximately RMB127,135,000, which has decreased by approximately RMB49,212,000 or approximately 27.9% as compared with the same period in 2008. Generally speaking, the Group's turnover during the Review Period was approximately RMB1,017,205,000, which has increased by approximately RMB75,206,000 or approximately 8.0% as compared with approximately RMB941,999,000 of the same period in 2008.

During the Review Period, the Group had integrated its purchase, sales and research and development ("R&D") resources, focusing on both the maintenance and growth of turnover and the control and avoidance of risks. In the context of global industrial reform, the Group, on one hand, enhanced and consolidated its existing domestic and overseas network by methods including establishing a wholly-owned trading company in China and ramming down the foundation of its overseas investment thus realizing stop-loss for its investment in North America. On the other hand, the Group had reviewed the relationships with its partners and acquired the remaining 50% equity interests in Constant Gain International Limited ("Constant Gain"), a jointly controlled entity of the Group immediately prior to the acquisition which holds 100% equity interest in Jiaxing Kittel Minth Automotive Parts Co., Ltd. from the joint venture partner at a discounted consideration when the joint venture partner was in insolvency.

Furthermore, the Group has been actively involved in various opportunities of investment and partnership domestically and in emerging markets overseas.

Research and Development

During the Review Period, the Group continued to invest in R&D in order to maintain its core competence. There are 126 new projects currently under development, and during the Review Period, the Group filed 8 patent applications which were being processed for approval, and was awarded 18 patents by the relevant authority during the Review Period, the majority of which are invention patents. In the meantime, in compliance with the Governments' encouraging policies, the Group focused on the development of projects in the areas of auto body weight reduction and system integration. Moreover, the Group has further improved its global R&D network thus further consolidating its strategic partnership with international original equipment manufacturer ("OEM") customers.

Financial Review

During the Review Period, the Group achieved favorable performance in terms of both turnover and net profit attributable to owners of the Company.

During the Review Period, the Group's turnover was approximately RMB1,017,205,000, representing an increase of approximately 8.0% from approximately RMB941,999,000 in the same period of 2008. This growth in turnover was attributable to the Group's seizure of the opportunities from the recovery of the Chinese automobile market while strictly controlling risks in overseas markets at the same time.

During the Review Period, the Group's profit attributable to owners of the Company was approximately RMB266,760,000, representing an increase of approximately 11.7% from approximately RMB238,912,000 in the same period of 2008. This was mainly attributable to the Group's focus on cost and expense control while achieving a moderate turnover growth to maintain a good profitability.

Financial Highlights

	Six months ended 30 June 2009 RMB'000	Six months ended 30 June 2008 RMB'000
Turnover	**1,017,205**	941,999
Gross profit	**391,115**	355,771
Profit before tax	**308,242**	266,421
Income tax expense	**(22,969)**	(23,135)
Minority interests	**(18,513)**	(4,374)
Profit for the period	**266,760**	238,912

Cost Control

The Group put great emphasis on cost control while rapidly developing its business. During the Review Period, the gross profit margin of the Group was approximately 38.4%, representing an increase of approximately 0.6% from approximately 37.8% in the same period of 2008. This was mainly due to the Group's increased focus on internal management and control and reduced costs by methods including pursuing localization of raw materials and centralized procurement, improving manufacturing process technologies and material utilization rate. All these efforts helped the Group in maintaining an overall decent level of gross profit margin.

Interest Income

During the Review Period, the interest income of the Group was approximately RMB17,670,000, representing an increase of approximately RMB1,248,000 from approximately RMB16,422,000 in the corresponding period of 2008. This was mainly due to the increase in the Group's bank balances and cash compared with the same period in 2008. Furthermore, the Group improved its cash management, thus offsetting the adverse impact of the reduction of interest rate.

Other Income

During the Review Period, other income of the Group amounted to approximately RMB10,855,000, which has decreased by approximately RMB22,756,000 as compared to approximately RMB33,611,000 in the same period of 2008. This was mainly attributable to a decrease in government subsidies in 2009 as compared to 2008 amounting to approximately RMB24,235,000.

Other Gains and Losses

During the Review Period, other gains and losses amounted to approximately RMB5,043,000 gains, representing an increase of net gains of approximately RMB37,514,000 compared to approximately RMB32,471,000 net losses in the same period of 2008. This was primarily due to much less fluctuation of RMB exchange rate against United States dollar ("USD") during the Review Period compared to the same period in 2008. In addition, the Group had strengthened its control of foreign exchange risks so that acquired a net gain of approximately RMB900,000 accruing from the foreign exchange (for the six months ended 30 June 2008: approximately RMB43,543,000 net losses) during the Review Period.

Distribution and Selling Expenses

During the Review Period, the Group's overall distribution and selling expenses amounted to approximately RMB23,873,000, representing an increase of approximately RMB2,977,000 from approximately RMB20,896,000 in the same period of 2008. The proportion of distribution and selling expenses to the Group's turnover was approximately 2.3%, which remained at similar level as compared to approximately 2.2% in the same period of 2008.

Administrative Expenses

During the Review Period, administrative expenses amounted to approximately RMB66,747,000, representing a decrease of approximately RMB1,932,000 from approximately RMB68,679,000 in the same period of 2008. The proportion of administrative expenses to the Group's total turnover was approximately 6.6%, representing a decrease of approximately 0.7% as compared to approximately 7.3% in the corresponding period of 2008. 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

During the Review Period, research expenditure of the Group amounted to approximately RMB43,618,000, representing an increase of approximately 39.6% from approximately RMB31,252,000 in the same period of 2008. This was mainly attributable to the Group's increase in R&D expenditure so as to enhance its competitiveness and to sustain development through emphasis on technical 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 RMB2,401,000, which has increased by approximately RMB6,490,000 compared to approximately RMB4,089,000 losses in the same period of 2008. This was mainly due to the fact that the Group's jointly controlled entity in North America started to break even during the Review Period which resulted in an increase of share of profit amounting to approximately RMB5,991,000.

Share of Profits of Associates

During the Review Period, the Group's share of profits of associates was approximately RMB16,480,000, representing a decrease by approximately RMB4,549,000 compared to approximately RMB21,029,000 in the same period of 2008. This was mainly due to a slight decline in turnover of the Company's two associates in the same period in 2008. Besides, increased effective tax rates of the two associates also accounted for the decline in share of profits.

Taxation

During the Review Period, the Group's taxation was approximately RMB22,969,000, which remained at similar level as compared to approximately RMB23,135,000 in the same period of 2008.

During the Review Period, the Group's effective tax rate was approximately 7.5%, representing a decrease of approximately 1.2% from approximately 8.7% in the same period in 2008. This was mainly due to an increase of profit in certain the Group's major subsidiaries in China which are still in tax exemption period compared with the same period in 2008. It is also jointly contributed by the Group's multiple tax benefits resulting from its compliance with the national industry support policies for encouragement of R&D activities.

Minority Interests

During the Review Period, the Group's net profits attributable to minority interests were approximately RMB18,513,000, representing an increase of approximately RMB14,139,000 compared to approximately RMB4,374,000 in the same period of 2008. This was mainly due to the expiry of a fixed dividend payout agreement between the Group and a minority shareholder in one of its non-wholly owned subsidiaries on 31 December 2008. From 2009, profit will be distributed according to shareholders' respective share-holding percentages which resulted in a higher net profit attributable to minority interests compared with the lower amount as in the dividend payment agreement.

Liquidity and Financial Situation

As at 30 June 2009, the Group's bank balances and cash totalled approximately RMB1,590,201,000, representing an increase of approximately RMB160,600,000 compared to approximately RMB1,429,601,000 as at 31 December 2008. As at 30 June 2009, the Group's low-cost borrowing amounted to approximately USD21,237,000 and approximately Japanese yen ("JPY") 202,354,000 (equivalent to approximately RMB145,090,000 and approximately RMB14,391,000 respectively, RMB159,481,000 in total), constituting an increase of approximately RMB118,094,000 compared to approximately RMB41,387,000 at 31 December 2008, which was mainly due to the borrowings the Group brought in after considering the overall gains of capital, interest rate and exchange rate.

During the Review Period, the net cash inflow from the Group's operating activities was approximately RMB264,070,000, which was in a sound status.

Receivables turnover days were approximately 68 days, an increase of 8 days as compared with 60 days as at 31 December 2008, mainly due to a substantial increase in the balance of trade receivables as at 30 June 2009. Thanks to the recovery of the Chinese automobile market in 2009, a substantial increase in sales was witnessed for the last two months of the six months ended 30 June 2009 whereby the Group's receivables turnover days are within normal range. Generally speaking, receivables turnover days were maintained at a decent level.

Payables turnover days were approximately 50 days, an extension of 7 days as compared with 43 days as at 31 December 2008. This was mainly due to the Group's strategy in reorganizing its supplier system, adopting the centralized payment approach, thus extending the average payables turnover days.

Inventories turnover days were approximately 60 days, which remained at a similar level as 59 days in 2008.

As at 30 June 2009, the Group's current ratio was 5.0, which decreased from 6.7 in 2008. As at 30 June 2009, the Group's gearing ratio increased from 1.1% in 2008 to 3.9%.

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

The Group believes that during the Review Period, the favorable performance in sales, production, research and development, as well as healthy cash reserves have laid a solid foundation for the sustained growth in the future.

Capital Commitments

As of 30 June 2009, the Group had the following commitments:

	RMB'000
Capital commitments	78,234

Capital commitments refer to capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements.

Interest Rate and Foreign Exchange Risks

As at 30 June 2009, the Group's bank loan balance was approximately RMB159,481,000, with the equivalent of approximately RMB145,090,000 denominated in USD and the remaining equivalent of approximately RMB14,391,000 denominated in JPY, all at floating 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. With the expansion of the Group's overseas operations, the management of the Group is closely monitoring the foreign currency risk.

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

As of 30 June 2009, the Company and some of its subsidiaries have bank balances of approximately RMB133,557,000 settled in foreign currencies, amongst which approximately RMB130,035,000 denominated in USD, approximately RMB2,667,000 denominated in Euro, and the remaining approximately RMB855,000 denominated in JPY, HKD and Canadian dollars.

Contingent Liabilities

As of 30 June 2009, the Group had no contingent liabilities (2008: Nil).

Mortgaged Assets

As of 30 June 2009, the Group had borrowed approximately USD5,000,000 (equivalent to approximately RMB34,160,000) by mortgaging a fixed deposit of approximately RMB42,600,000 (2008: approximately RMB42,600,000) with maturity period of one year. This loan is denominated in USD.

Capital Expenditure

During the Review Period, the Group's capital expenditure including investment in property, plant and equipment, construction in progress and land use rights amounted to approximately RMB75,862,000 (for the six months ended 30 June 2008: approximately RMB143,994,000). These capital expenditures were attributable to the increase of the production capacity and the expansion of facilities by the Company's subsidiaries.

Substantial Acquisitions and Disposals

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

Employees

As of 30 June 2009, the Group had a total number of 3,402 employees, a decrease of 90 employees compared to that as of 31 December 2008. This was mainly due to the Group's optimization of its human resources.

During the Review Period, pursuant to its continuing stable human resources administration policy, the Group continued to provide employees with competitive remuneration and social benefits. Meanwhile, during the Review Period, an organizational restructure was conducted systematically by the Group. New posts such as Chief Operating Officer, Chief Marketing Officer, Chief Human Resources Officer were established and relevant persons appointed, all with clear functional responsibilities. Apart from that, the headquarter operations were transformed from the previous operations with six functional centres to the current combination of three functional centres and three regional sub-headquarters, all with clear functional responsibilities. The setting up of various regional management centres was to cope with the challenges of numerous subsidiaries and decentralized geographic locations. All these efforts are expected to strengthen the collaboration among all functional departments, all subsidiaries, associates and jointly controlled entities with the Company's headquarter. Through such reallocation of resources, the Group expects to achieve an integrated and standardized management by consolidating resources, optimizing internal risk control system as well as improving internal operational efficiency.

Directors

During the Review Period, the board ("Board") of the directors ("Directors") of the Company were as follows:

Executive directors
Chin, Jong Hwa
Shi, Jian Hui
Mu, Wei Zhong
Zhao, Feng

Non-executive directors
Mikio Natsume
Tokio Kurita
Zheng, Yu

Independent Non-executive directors
Wu, Fred Fong
Wang, Ching
Zhang, Liren

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 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 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 2009 and pursuant to the Share Option Scheme, the total number of Share options the Company granted to the employees including the Directors and their connected persons amounted to 41,600,000 Share options. As at 30 June 2009, the number of outstanding Share Options under the Share Option Scheme was 37,610,000 Share options, representing 3.94% of the Shares of the Company in issue as at 30 June 2009.

Details are as follows:

Name and category of participants	Number of share options outstanding at 1 January 2009	Granted during the Period	Exercised during the Period	Lapsed during the Period	Number of Shares outstanding as at 30 June 2009	Date of Grant (Note 3)	Exercising Period (Note 4)	Exercise price per share (HKD) (Note 5)
	Number of Shares (Note 1)							
Directors, chief executives, and substantial shareholders and their respective connected persons								
Mr. Shi Jian Hui	250,000	–	–	–	250,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	250,000	–	–	–	250,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
	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
Mr. Mu Wei Zhong	250,000	–	–	–	250,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	250,000	–	–	–	250,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
	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
Mr. Zhao Feng	250,000	–	–	–	250,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	250,000	–	–	–	250,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
	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
Ms. Zhu Chun Ya (Note 2)	250,000	–	–	–	250,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	250,000	–	–	–	250,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
	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	4,450,000	–	–	–	4,450,000			

Name and category of participants	Number of Shares (Note 1) Number of share options outstanding at 1 January 2009	Granted during the Period	Exercised during the Period	Lapsed during the Period	Number of Shares outstanding as at 30 June 2009	Date of Grant (Note 3)	Exercising Period (Note 4)	Exercise price per share (HKD) (Note 5)
Other Participants	8,755,000	–	–	880,000	7,875,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	8,030,000	–	–	155,000	7,875,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
	8,915,000	–	–	210,000	8,705,000	4-7-2008	1-2-2010 to 12-11-2013	5.34
	8,915,000	–	–	210,000	8,705,000	4-7-2008	1-2-2011 to 12-11-2013	5.34
Subtotal	34,615,000	–	–	1,455,000	33,160,000			
Total	39,065,000	–	–	1,455,000	37,610,000			

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

Note 2: Spouse of Mr. Zhao Feng, a Director and the Chief Human Resources Officer of the Group.

Note 3: The closing price of the Share immediately before the date on which the Share Options were granted on 4 July 2008, i.e. on 3 July 2008 was HK$5.05.

Note 4: The option period for the Share options granted on 1 February 2007 is for three years nine months and eleven days and such Share options will vest in tranches beginning on the first anniversary of the date of grant as to 50%, and the remainder vesting on the second anniversary of the date of grant. 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 will vest in tranches beginning on 1 February 2010 as to 50%, and the remainder vesting on 1 February 2011.

Note 5: The exercise price of the Share options is subject to adjustment in the case of rights or bonus issues, or other similar changes.

During the Review Period, 1,455,000 share options have been lapsed, and no share options have been granted or exercised. As of 30 June 2009, 40,000 share options which have been granted to the grantees other than the Directors have been exercised and 3,950,000 share options lapsed due to resignations of persons who were not Directors since the adoption of the Share Option Scheme.

Since the adoption of the Share Option Scheme to the date of this report, 640,000 Share options have been exercised by non-Directors.

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

Particulars of the Company's Share Option Scheme are set out in note 19 to the condensed consolidated financial statements.

Outlook & Strategy

Despite the turmoil of the global economy, from the recovery of the Chinese passenger vehicle market in the first half of 2009, the Group held a positive view towards the future prospects of the auto parts industry. Towards the end of the Review Period, most of the Group's key customers, after drastic efforts of cost reduction during the market downturn experienced recovery in line with the market trend. In the meantime, the market structure change was also triggered by the change in customers' consumption behavior as well as the impact of Chinese government's stimulus packages. Therefore, by virtue of the Group's insight of the market and the Chinese government policy as well as good customer relations, the Group is expected to pick up its growth pace in the near future, seize better market opportunities and gain more market share in the Chinese market as well as the global markets.

Moreover, the Group's focus on organizational restructuring will also help to improve its operational efficiency so as to synchronize with the Group's efforts in business development and strategic planning.

With the market updates and future projections as a guideline, the Group worked out its flexible market strategy with more emphasis on the long-term partnership with its customers. Besides, in conformity with the market demand and the Chinese government's support policies, the Group initiated research and development in the trend of energy saving and weight reduction in the passenger vehicle industry. With continual focus on the Chinese market, the Group will endeavour to explore both mature markets and potential emerging markets overseas.

By virtue of continuous technical innovation and process improvement, high-quality product launch, seamless supplier service and excellent management efficiency, combined with its prudential, down-to-earth attitude and global insight and strategy, the Group will continue to maintain and further consolidate its leading position in the industry and will play a more significant role in the overseas markets.

Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

Substantial Shareholders

As at 30 June 2009, 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") are as follows:

Name of Substantial Shareholder	Capacity	Long/Short position	Number of Shares	Percentage of the Company's Issued Share Capital
Wei Ching Lien	Interest of spouse	Long position	436,664,000 (Note 1)	45.75%
Linkfair	Beneficial owner	Long position	436,664,000 (Note 2)	45.75%
Commonwealth Bank of Australia	Interest of controlled corporations	Long position	85,950,000 (Note 3)	9.00%
Deutsche Bank Aktiengesellschaft	Beneficial owner, investment manager and person having a security interest in Shares	Long position	76,758,900 (Note 4)	8.04%
	Beneficial owner	Short position	223,174 (Note 4)	0.02%

Note 1: As at 30 June 2009, Linkfair Investments Limited ("Linkfair") was beneficially interested in 436,664,000 shares, Linkfair was wholly owned by Mr. Chin Jong Hwa ("Mr. Chin") and he was 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 Jong Hwa, she was deemed to be interested in 436,664,000 Shares in which Mr. Chin was deemed to be interested.

Note 2: Linkfair, a company wholly owned by Mr. Chin who is also Linkfair's director, was interested in 436,664,000 shares.

Note 3: 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 4: Deutsche Bank Aktiengesellschaft has security interest in long position of 76,758,900 Shares in accordance with Part XV of the SFO. Of these Shares, Deutsche Investment Management Americas Inc. and Deutsche Asset Management (Asia) Limited have direct interest in 9,268,300 Shares and 14,838,000 Shares respectively. Both of these entities are controlled subsidiaries of Deutsche Bank Aktiengesellschaft. Deutsche Bank Aktiengesellschaft has security interest in short position of 223,174 Shares in accordance with Part XV of the SFO.

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 2009, 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 Companies ("Model Code") contained in Appendix 10 the Listing Rules, were as follows:

Name of Director	Company/ Name of Associated Corporation	Long/Short position	Nature of Interest	Total Number of Shares	Percentage of the Company's Issued Share Capital
Chin Jong Hwa	Company	Long position	Interest of controlled corporation (Note 1)	436,664,000	45.75%
Shi Jian Hui	Company	Long position	Beneficial owner	1,300,000 (Note 2)	0.14%
Mu Wei Zhong	Company	Long position	Beneficial owner	1,100,000 (Note 2)	0.12%
Zhao Feng	Company	Long position	Beneficial owner and interest of spouse (Note 3)	2,050,000 (Note 3)	0.21%

Note 1: 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 2: These figures represent the total number of Shares over which Share option granted under the Share Option Scheme are exercisable. Upon exercise of the Share options under the Share option Scheme, Mr. Shi Jian Hui and Mr. Mu Wei Zhong will acquire 1,300,000 Shares and 1,100,000 Shares respectively.

Note 3: These figures represent the total number of Shares over which Share option granted under the Share Option Scheme are exercisable. Upon exercise of the Share options under the Share Option Scheme, Mr. Zhao Feng and his spouse, Ms. Zhu Chun Ya, would acquire 1,100,000 Shares and 950,000 Shares respectively. Since Mr. Zhao Feng is the spouse of Ms. Zhu Chun Ya, he is deemed to be interested in the 950,000 Shares in which Ms. Zhu Chun Ya is interested in.

Other than as disclosed above, as at 30 June 2009, none of the directors, chief executive 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 Listed Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the Review Period.

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 Period, compliant with the Code on Corporate Governance Practices contained in Appendix 14 of 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 Listing Issuers contained in Appendix 10 of the Listing Rules ("Model Code"). Having made specific enquiry of all Directors, the Company has been informed that they had strictly complied with the Model Code during the Review Period.

Audit Committee

The Company has an audit committee ("Audit Committee") consisting three independent non-executive Directors, Mr. Wu Fred Fong (chairman of the Audit Committee), Dr. Wang Ching and Mr. Zhang Liren. The Audit Committee reviews the systems of internal control, the completeness and accuracy of the financial statements and liaises on behalf of the Directors with external auditors. The Audit Committee members meet regularly with the Company's management and external auditors to review audit reports as well as the interim and annual financial statements, as the case may be, of the Group. The Audit Committee has reviewed this interim report and the unaudited condensed consolidated financial statements for the six months ended 30 June 2009, and recommended their adoption by the Board.

Minth Group Limited
Chin Jong Hwa
Chairman

25 August 2009

To the Board of Directors of Minth Group Limited

Introduction

We have reviewed the interim financial information set out on pages 29 to 60, 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 2009 and the related condensed consolidated income statement, 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 the 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 the 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.

Without qualifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period ended 30 June 2008 and the relevant explanatory notes disclosed in the interim financial information have not been reviewed in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 August 2009

Condensed Consolidated Income Statement

for the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 (unaudited) RMB'000	2008 (unaudited) RMB'000
Turnover		**1,017,205**	941,999
Cost of sales		**(626,090)**	(586,228)
Gross profit		**391,115**	355,771
Interest income		**17,670**	16,422
Other income	4	**10,855**	33,611
Other gains and losses	5	**5,043**	(32,471)
Distribution and selling expenses		**(23,873)**	(20,896)
Administrative expenses		**(66,747)**	(68,679)
Research expenditure		**(43,618)**	(31,252)
Interest on bank borrowings wholly repayable within five years		**(1,084)**	(3,025)
Share of profits (losses) of jointly controlled entities		**2,401**	(4,089)
Share of profits of associates		**16,480**	21,029
Profit before tax		**308,242**	266,421
Income tax expense	6	**(22,969)**	(23,135)
Profit for the period	7	**285,273**	243,286
Attributable to:			
Owners of the Company		**266,760**	238,912
Minority interests		**18,513**	4,374
		285,273	243,286
Earnings per share	9		
Basic		**RMB0.279**	RMB0.250
Diluted		**—**	RMB0.249

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2009

	Six months ended 30 June	
	2009 (unaudited) RMB'000	2008 (unaudited) RMB'000
Profit for the period	**285,273**	243,286
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**703**	(23,175)
Total comprehensive income for the period	**285,976**	220,111
Total comprehensive income attributable to:		
Owners of the Company	**266,965**	215,737
Minority interests	**19,011**	4,374
	285,976	220,111

Condensed Consolidated Statement of Financial Position

at 30 June 2009

	Notes	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Non-current assets			
Property, plant and equipment	10	975,686	929,220
Prepaid lease payments		177,547	179,311
Goodwill		15,276	15,276
Other intangible assets	11	23,026	25,576
Interests in jointly controlled entities		42,413	49,140
Interests in associates		93,891	77,455
Loans to jointly controlled entities	12	52,536	68,539
Deferred tax assets		11,393	11,462
		1,391,768	1,355,979
Current assets			
Prepaid lease payments		4,113	3,926
Inventories		316,173	344,732
Loans to jointly controlled entities	12	29,795	32,453
Trade and other receivables	13	576,515	451,116
Tax recoverable		3,180	4,762
Derivative financial assets	14	4,198	—
Other financial assets	15	90,876	40,119
Pledged bank deposits		44,796	44,432
Bank balances and cash		1,590,201	1,429,601
		2,659,847	2,351,141
Current liabilities			
Trade and other payables	16	346,874	294,903
Tax liabilities		20,532	13,435
Borrowings	17	159,481	41,387
		526,887	349,725
Net current assets		2,132,960	2,001,416
Total assets less current liabilities		3,524,728	3,357,395

Condensed Consolidated Statement of Financial Position

at 30 June 2009

	Notes	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Capital and reserves			
Share capital	18	98,414	98,414
Share premium and reserves		3,318,132	3,174,147
Equity attributable to owners of the Company		3,416,546	3,272,561
Minority interests		95,009	74,640
Total equity		3,511,555	3,347,201
Non-current liabilities			
Deferred tax liabilities		13,173	10,194
		13,173	10,194
Total equity and liabilities		3,524,728	3,357,395

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2009

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve fund RMB'000	Enterprise expansion fund RMB'000	Exchange reserve RMB'000	Share options reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2008 (audited)	98,410	1,883,080	276,199	27,239	89,995	11,159	(7,039)	13,264	565,262	2,957,569	39,066	2,996,635
Profit for the period	–	–	–	–	–	–	–	–	238,912	238,912	4,374	243,286
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(23,175)	–	–	(23,175)	–	(23,175)
Total comprehensive income for the period	–	–	–	–	–	–	(23,175)	–	238,912	215,737	4,374	220,111
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	4,785	–	4,785	–	4,785
Transfer to reserve fund	–	–	–	–	35	–	–	–	(35)	–	–	–
Dividends recognised as distribution (note 8)	–	–	–	–	–	–	–	–	(102,822)	(102,822)	–	(102,822)
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	21,688	21,688
Exercise of share options	4	252	–	–	–	–	–	(28)	–	228	–	228
	4	252	–	–	35	–	–	4,757	(102,857)	(97,809)	21,688	(76,121)
At 30 June 2008 (unaudited)	98,414	1,883,332	276,199	27,239	90,030	11,159	(30,214)	18,021	701,317	3,075,497	65,128	3,140,625
At 1 January 2009 (audited)	98,414	1,883,342	276,199	27,823	90,030	11,159	(24,489)	23,570	886,513	3,272,561	74,640	3,347,201
Profit for the period	–	–	–	–	–	–	–	–	266,760	266,760	18,513	285,273
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	205	–	–	205	498	703
Total comprehensive income for the period	–	–	–	–	–	–	205	–	266,760	266,965	19,011	285,976
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	3,903	–	3,903	–	3,903
Transfer to reserve fund	–	–	–	–	4,261	–	–	–	(4,261)	–	–	–
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	–	(5,414)	(5,414)
Dividends recognised as distribution (note 8)	–	–	–	–	–	–	–	–	(126,883)	(126,883)	–	(126,883)
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	6,772	6,772
Transfer to other reserve for share options forfeited after the vesting date	–	–	–	949	–	–	–	(949)	–	–	–	–
	–	–	–	949	4,261	–	–	2,954	(131,144)	(122,980)	1,358	(121,622)
At 30 June 2009 (unaudited)	98,414	1,883,342	276,199	28,772	94,291	11,159	(24,284)	26,524	1,022,129	3,416,546	95,009	3,511,555

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.

The other reserve of the Group consists of (i) contributions from a shareholder, Mr. Chin Jong Hwa ("Mr. Chin"), in connection with the Group's acquisition of an associate from Mr. Chin pursuant to the group reorganisation, (ii) reserve arising from acquisition of additional interest in a subsidiary, (iii) share of reserve of a jointly controlled entity, and (iv) reserve transferred from share options reserve for the share options that are forfeited after the vesting date.

As stipulated by the relevant laws and regulations for foreign investment enterprise in 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.

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 (unaudited) RMB'000	2008 (unaudited) RMB'000
Net cash from operating activities		**264,070**	163,109
Investing activities			
Interest received		**16,213**	16,422
Proceeds on redemption of other financial assets and derivative financial assets		**40,913**	—
Proceeds on disposal of property, plant and equipment		**2,658**	1,793
Purchases of property, plant and equipment		**(75,410)**	(100,007)
Addition of investment in an associate		**—**	(17,164)
Investment in other financial assets		**(90,000)**	—
Prepaid rentals for lease premium for land		**(452)**	(133)
Purchases of other intangible assets		**(4,642)**	(13,113)
Acquisition of a subsidiary	21	**1,419**	—
Acquisition of assets, and assumption of liabilities through acquisition of subsidiaries		**—**	(32,462)
Loans to jointly controlled entities		**(6,000)**	—
Loan to a third party		**—**	(13,115)
Repayment to a third party		**—**	(7,134)
Repayment from jointly controlled entities		**20,062**	4,729
Increase in pledged bank deposits		**(364)**	(241,850)
Net cash used in investing activities		**(95,603)**	(402,034)

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 (unaudited) RMB'000	2008 (unaudited) RMB'000
Financing activities			
Interest paid		**(1,084)**	(3,025)
Dividends paid to owners of the Company		**(126,883)**	(102,822)
Dividends paid to minority owners of subsidiaries		**(6,786)**	—
Repayment of bank loans		**(178,537)**	(111,120)
New bank loans raised		**297,670**	425,542
Proceeds from exercise of share options		**—**	228
Capital contributions from minority owners of subsidiaries		**6,772**	21,688
Net cash (used in) from financing activities		**(8,848)**	230,491
Net increase (decrease) in cash and cash equivalents		**159,619**	(8,434)
Cash and cash equivalents at beginning of the period		**1,429,601**	933,082
Effect of foreign exchange rate changes		**981**	(24,570)
Cash and cash equivalents at end of the period, represented by			
Bank balances and cash		**1,590,201**	900,078

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 the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

2. Significant Accounting Policies

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

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Accounting Standards ("HKASs"), amendments and the related Interpretations ("IFRICs") ("new and revised HKFRSs") issued by HKICPA, which are effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
Hong Kong Financial Reporting Standards ("HKFRS") 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements of HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008 except for the adoption of HKAS 23 (Revised 2007) *Borrowing Costs*.

HKAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option available under the previous version of the standard to recognise all borrowing costs as expenses immediately and requires borrowing costs to be capitalised as part of the cost of a qualifying asset. The revised accounting policy has been applied prospectively and does not have a material effect on the reported results and financial position of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised 2007) had no impact on the reported results or financial position of the Group.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 *Segment Reporting*, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[3]

1 Effective for annual periods beginning on or after 1 July 2009

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

3 Effective for transfers on or after 1 July 2009

4 Effective for annual periods beginning on or after 1 January 2010

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment Information

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

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

For the six months ended 30 June 2009

	PRC RMB'000	Asia Pacific RMB'000	North America RMB'000	Europe RMB'000	Consolidated RMB'000
Turnover					
External sales	890,070	55,152	46,364	25,619	1,017,205
Segment profit	337,500	21,010	20,084	12,456	391,050
Interest income					17,670
Other unallocated income					10,855
Unallocated expenses					(129,130)
Interest on bank borrowings wholly repayable within five years					(1,084)
Share of profits of jointly controlled entities					2,401
Share of profits of associates					16,480
Profit before tax					308,242
Income tax expense					(22,969)
Profit for the period					285,273

For the six months ended 30 June 2008

	PRC RMB'000	Asia Pacific RMB'000	North America RMB'000	Europe RMB'000	Consolidated RMB'000
Turnover					
External sales	765,652	81,897	65,841	28,609	941,999
Segment profit	289,936	29,810	24,121	11,904	355,771
Interest income					16,422
Other unallocated income					33,611
Unallocated expenses					(153,298)
Interest on bank borrowings wholly repayable within five years					(3,025)
Share of losses of jointly controlled entities					(4,089)
Share of profits of associates					21,029
Profit before tax					266,421
Income tax expense					(23,135)
Profit for the period					243,286

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

Information about major customers:

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

	Six months ended 30 June 2009 RMB'000	2008 RMB'000
Customer A	**151,619**	133,354
Customer B	**132,421**	119,536

The customers above are located in PRC.

4. Other Income

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Government grants received (note)	**1,058**	25,293
Technology consulting income	**545**	646
Sales of scrap and raw materials	**5,371**	3,874
Property rental income—net	**1,641**	1,443
Others	**2,240**	2,355
Total	**10,855**	33,611

Note: The amount represents the incentive subsidies granted by the PRC local government authorities to the group entities involving in hi-tech know-how industry and product development activities. The government grants have been approved by and received from the PRC local government authorities.

5. Other Gains and Losses

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
(Loss) gain on disposal of property, plant and equipment	**(161)**	245
Net foreign exchange gain (loss)	**900**	(43,543)
Change in fair value of derivative financial assets	**4,085**	—
Change in fair value of financial assets designated as at FVTPL	**1,783**	10,827
Discount on acquisition of a subsidiary (note 21)	**1,720**	—
Allowance for bad and doubtful debts	**(65)**	—
Others	**(3,219)**	—
Total	**5,043**	(32,471)

6. Income Tax Expense

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Current tax:		
Hong Kong	**2**	—
PRC Enterprise Income Tax	**22,563**	25,455
Other jurisdictions	**160**	—
	22,725	25,455
Over-provision in prior years:		
PRC Enterprise Income Tax	**(2,804)**	(241)
Deferred tax		
Current period	**3,048**	(2,079)
	22,969	23,135

Hong Kong Profits Tax is recognised based on annual income tax rate of 16.5% for the periods under review.

The PRC enterprise income tax and taxation arising in other jurisdictions are recognised based on management's best estimate of annual income tax rate expected for each subsidiaries for the full financial year.

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") under a 5-year transitional provision starting from 1 January 2008. Therefore, the tax holidays will expire in 2012.

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.

7. Profit for the Period

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

	Six months ended 30 June	
	2009 RMB'000	2008 RMB'000
Depreciation of property, plant and equipment	43,058	34,634
Amortisation of other intangible assets (included in cost of sales, administrative expenses and research expenditure)	3,673	3,618
Total depreciation and amortisation	46,731	35,433
Cost of inventories recognised	626,090	586,228
Release of prepaid lease payments	2,029	1,808
Operating lease rentals of buildings	2,636	3,685
Property rental income	(2,647)	(2,136)
Less: Outgoings	296	693
	(2,351)	(1,443)

8. Dividends

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Final dividend paid for 2008 of HK$15.1 cents (2008: HK$12.1 cents for 2007) per share on 954,540,000 (2007: 954,540,000) shares	**126,883**	102,822

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

9. Earnings Per Share

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

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**266,760**	238,912
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**954,540**	954,524
Effect of dilutive share options	**–**	3,849
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**–**	958,373

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2008 has been adjusted for the share options exercised on 12 March 2008.

The outstanding share options do not have a dilutive effect to the Company's earnings per share because the exercise price of the Company's share options were higher than the average market price during the six months ended 30 June 2009.

10. Property, Plant and Equipment

During the period, the Group spent approximately RMB75,055,000 (RMB76,870,000 for the six months ended 30 June 2008) on the construction of the manufacturing plant and acquisitions of plant and machinery in the PRC and Thailand, in order to upgrade its manufacturing capabilities.

11. Other Intangible Assets

During the period, the Group spent approximately RMB4,642,000 (RMB13,113,000 for the six months ended 30 June 2008) on additions to technical know-how in order to upgrade its manufacturing capabilities.

12. Loans to Jointly Controlled Entities

	Maturity date	Effective interest rate	Carrying amount 30 June 2009 RMB'000	31 December 2008 RMB'000
Variable-rate loan receivable	6 June 2010	Prime interest rate ("PRIME")+0.5% (note a)	**29,795**	29,274
Variable-rate loan receivable	five business days following written notice	PRIME-0.5% (note b)	**52,536**	68,539
Fixed-rate loan receivable	7 January 2009	6.0%	**—**	3,179
			82,331	100,992
Analysed as				
Current — unsecured			**29,795**	32,453
Non-current — secured (note b)			**52,536**	68,539
			82,331	100,992

Notes:

a. The amount included an amount of interest receivable of approximately RMB1,374,000 (RMB842,000 at 31 December 2008) which does not carry interest. During the six months ended 30 June 2009, both the Group and the jointly controlled entity agreed to extend the maturity date of the amount from 6 June 2009 to 6 June 2010.

b. The amount included an amount of interest receivable of approximately RMB1,297,000 (RMB193,000 at 31 December 2008) which does not carry interest. The loan is secured by the freehold land, buildings and plant and machinery of the jointly controlled entity. Pursuant to the loan agreement, there is no fixed maturity date for the loan to the jointly controlled entity, the amount will become payable upon the call of the Group five days in advance. The directors 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.

Loans to jointly controlled entities are denominated in USD and RMB, the respective functional currency of the relevant group entities respectively.

13. Trade and Other Receivables

	30 June 2009 RMB'000	31 December 2008 RMB'000
Trade receivables		
— associates	12,758	13,504
— jointly controlled entities	3,834	15,090
— connected parties	33,446	9,874
— third parties	466,346	357,072
Less: allowance for doubtful debts	(24,206)	(25,398)
	492,178	370,142
Bill receivables	19,989	17,862
	512,167	388,004
Other receivables		
— associates	5	570
— jointly controlled entities	1,702	669
— third parties	17,203	15,145
	18,910	16,384
Less: allowance for doubtful debts	(154)	(154)
	530,923	404,234
Prepayments	45,592	46,882
Total trade and other receivables	576,515	451,116

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

	30 June 2009 RMB'000	31 December 2008 RMB'000
Age		
0–90 days	495,194	359,954
91–180 days	13,388	16,224
181–365 days	3,327	7,610
1–2 years	258	4,216
	512,167	388,004

14. Derivative Financial Assets

At 30 June 2009, the Group had a number of outstanding foreign exchange forward contracts.

As at 30 June 2009, a derivative financial asset of RMB4,198,000 has been recognised in accordance with the fair value of the above foreign exchange forward contracts. These amounts are based on market prices quoted by the counterparty financial institutions at the reporting date.

At 31 December 2008, the Group has no significant outstanding foreign exchange forward contracts.

15. Other Financial Assets

	30 June 2009 RMB'000	31 December 2008 RMB'000
Financial assets designated as at fair value through profit or loss ("FVTPL")	**90,876**	40,119

As at 30 June 2009 and 31 December 2008, the Group has entered into several outstanding contracts of structured deposits with bank for a period ranging from 1 month to 6 months respectively ("Principal Protected Basket Linked RMB Medium Term Note"). Each of the entire contracts has been designated as financial assets at fair value through profit or losses on initial recognition. The significant terms and conditions relating to the financial assets as FVTPL are as follows:

30 June 2009

Notional amount	Issue date	Maturity date	Interest rate
RMB50,000,000	**21/01/2009**	**21/07/2009**	**Note a**
RMB40,000,000	**15/04/2009**	**15/07/2009**	**Note b**

Note a: Interest rate is related to EURO exchange rate to USD. When the fluctuation of EURO exchange rate to USD is within 0.005, the annual interest rate is 1.98%; when it is between 0.005 and 0.400, the annual interest rate is 3.00%; when it is beyond 0.400, the annual interest rate is 6.00%.

Note b: Interest rate is related to EURO exchange rate to USD. When the fluctuation of EURO exchange rate to USD is within 0.005, the annual interest rate is 1.72%; when it is between 0.005 and 0.400, the annual interest rate is 2.45%; when it is beyond 0.400, the annual interest rate is 6.00%.

31 December 2008

Notional amount	Issue date	Maturity date	Interest rate
RMB40,000,000	01/12/2008	05/01/2009	Note

Note: Interest rate is related to EURO exchange rate to USD. When the fluctuation of EURO exchange rate to USD is within 0.005, the annual interest rate is 0.72%; when it is between 0.005 and 0.200, the annual interest rate is 3.25%; when it is beyond 0.200, the annual interest rate is 6.00%.

The fair values of these financial assets were determined by reference to the quotations provided by the counterparty financial institutions at the reporting date.

16. Trade and Other Payables

	30 June 2009 RMB'000	31 December 2008 RMB'000
Trade payables		
— associates	4,247	4,349
— jointly controlled entities	15,368	16,038
— connected parties	25,810	22,679
— third parties	186,418	133,762
	231,843	176,828
Payroll and welfare payables	23,819	27,008
Advance from customers	9,563	9,475
Consideration payable for acquisition of property, plant and equipment	20,289	20,644
Dividend payable to minority owners of subsidiaries	—	1,372
Technology support service fees payable	14,346	22,489
Consideration payable for acquisition of a subsidiary	7,459	—
Others	39,555	37,087
	346,874	294,903

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:

	30 June 2009 RMB'000	31 December 2008 RMB'000
Age		
0 to 90 days	224,692	169,708
91 to 180 days	1,391	5,407
181 to 365 days	1,530	179
1–2 years	3,745	917
Over 2 years	485	617
	231,843	176,828

17. Borrowings

During the current period, the Group obtained new bank loans amounting to RMB297,670,000 (RMB425,542,000 for the six months ended 30 June 2008). The loans bear interest at fixed and variable market rates and are repayable within one year. The proceeds were used to provide additional working capital for the Group. Repayments of other bank loans amounting to RMB178,537,000 (RMB111,120,000 for the six months ended 30 June 2008) were made in line with the relevant repayment terms.

18. Share Capital

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2008, 30 June 2008, 31 December 2008 and 30 June 2009	5,000,000	500,000

	Number of shares '000	Share capital RMB'000
Issued and fully paid:		
At 1 January 2008	954,500	98,410
Exercise of share options	40	4
At 30 June 2008, 31 December 2008 and 30 June 2009	954,540	98,414

19. Share-based Payment Transactions

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at 1 January 2009	39,065,000
Forfeited during the period	(1,455,000)
Outstanding at 30 June 2009	37,610,000
Outstanding at 1 January 2008	20,800,000
Exercised during the period	(40,000)
Forfeited during the period	(75,000)
Outstanding at 30 June 2008	20,685,000

Except for the share options forfeited as disclosed above, there were no share options granted, exercised or expired during the current period.

The Group recognised the total expense of RMB3,903,000 for the six months ended 30 June 2009 (RMB4,785,000 for the six months ended 30 June 2008) in relation to share options granted by the Company.

20. Commitments

	30 June 2009 RMB'000	31 December 2008 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	78,234	76,994

21. Acquisition of a Subsidiary

On 30 June 2009, the Group acquired the remaining 50% interest of Constant Gain International Limited and its subsidiary, namely Jiaxing Kittel-Minth Automotive Parts Co., Ltd. (together referred as "Jiaxing Kittel") which was previously a 50% jointly controlled entity of the Group for a consideration of RMB7,459,000. After the acquisition, Jiaxing Kittel became an indirectly wholly owned subsidiary of the Company. The acquisition has been accounted for using the purchase method of accounting and an amount of RMB1,720,000, representing the discount on acquisition, has been recognised as income for the six months ended 30 June 2009.

The net assets acquired in the transaction, and the discount arising, are as follows:

	Acquiree's carrying amount RMB'000
Net assets acquired:	
Property, plant and equipment	17,642
Inventories	6,466
Trade and other receivables	9,018
Bank balances and cash	1,419
Amount due to the Group	(8,761)
Trade and other payables	(7,426)
	18,358
Less: interest in a jointly controlled entity	(9,179)
Discount on acquisition	(1,720)
Satisfied by:	
Consideration payable	7,459
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	1,419

The directors of the Company consider that the carrying amount of the acquired net assets upon the acquisition approximate to its fair value.

The discount on acquisition represented the excess of net assets acquired over the consideration due to a bargain purchase.

Jiaxing Kittel has no significant contribution to the Group's profit for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2009, total group turnover and profit for the six months ended 30 June 2009 would have been RMB1,039,116,000 and RMB287,009,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is intended to be a projection of future results.

22. Related Party Transactions and Connected Transactions

Save as disclosed, 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 2009 RMB'000	2008 RMB'000
Jointly controlled entities, in which the Company has 50% equity interests	Sales of finished goods	**7,584**	6,951
	Sales of raw materials	**—**	730
	Purchase of finished goods	**—**	8,427
	Purchase of raw materials	**13,372**	7,436
	Proceeds from disposal of property, plant and equipment	**—**	310
	Property rentals income	**578**	495
	Interest income	**141**	87
Jointly controlled entities, in which the Company has 49% equity interests	Sales of finished goods	**6,095**	1,671
	Sales of raw materials	**28**	209
	Purchase of finished goods	**—**	373
	Purchases of raw materials	**29,999**	7,945
	Proceeds from disposal of property, plant and equipment	**2,220**	997
	Property rentals income	**369**	3
	Testing services expense	**299**	—
A jointly controlled entity, in which the Company has a 49.82% equity interest	Sales of finished goods	**351**	2,151
	Sales of raw materials	**—**	73
	Property rentals income	**312**	—
	Interest income	**1,327**	1,139
Associates, in which the Company has 40% equity interests	Purchase of raw materials	**—**	11,783

Relationship with related/ connected party	Nature of transactions	Six months ended 30 June 2009 RMB'000	2008 RMB'000
Associates, in which the Company has 48% equity interests	Sales of finished goods	26,512	33,358
	Sales of raw materials	4,557	6,198
	Purchase of raw materials	6,915	11,135
	Acquisition of equipments	39	19
	Property rentals income	607	1,021
	Testing services charges	242	—
	Technology support services income	—	441
Minority owners of subsidiaries	Sales of finished goods	51,400	65,503
	Purchase of raw materials	38,444	59,653
	Purchase of moulds	—	8,733
	Technology support services charges	7,598	7,142
	Purchase of intangible assets	2,259	3,955
	Property rentals paid	—	248
	Acquisition of equipments	893	—

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.

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

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Short-term benefits	**2,103**	2,229
Post-employment benefits	**7**	9
Share-based payments	**897**	1,176
	3,007	3,414

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