2012
ANNUAL REPORT

MINTH GROUP LIMITED
敏實集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 425

MISSION & VISION
We create beauty in motion

STRATEGIC OBJECTIVE
Endeavoring to become a leader
in the global automobile parts industry

VALUES
Courtesy & Confidence
Care & Harmony
Practicality & Effectiveness
Innovation & Excellence

敏于思，實于行

INTELLIGENCE IS ACTIONAL

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CORPORATE INFORMATION

THE BOARD OF DIRECTORS

Executive directors

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

Non-executive directors

Mikio Natsume (resigned on 21 March 2012)
Yu Zheng
He Dong Han
Mu Wei Zhong (resigned on 19 December 2012)

Independent non-executive directors

Wang Ching
Zhang Liren
Wu Fred Fong

COMPANY SECRETARY

Loke Yu

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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Ningbo Economic and Technology
Development Zone
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

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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law
Reed Smith Richards Butler
20th Floor Alexandra House
18 Chater Road, Central
Hong Kong

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

As to Cayman Islands Law
Conyers Dill & Pearman
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Hutchins Drive, George Town
Grand Cayman, British West Indies

STOCK CODE

SEHK Code: 0425

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the last five financial years is as follows:

	For the year ended 31 December				
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
Result					
Turnover	1,966,464	2,544,680	3,575,594	3,889,405	**4,329,906**
Profit before tax	474,922	721,419	972,399	962,941	**1,044,076**
Income tax expense	(36,323)	(62,724)	(122,690)	(136,011)	**(147,695)**
Profit for the year	438,599	658,695	849,709	826,930	**896,381**
Attributable to:					
Owners of the Company	424,110	621,442	811,172	787,318	**841,159**
Non-controlling interests	14,489	37,253	38,537	39,612	**55,222**
	438,599	658,695	849,709	826,930	**896,381**

	As at 31 December				
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
Assets and Liabilities					
Total assets	3,707,120	4,829,811	6,700,837	7,832,893	**9,374,460**
Total liabilities	(359,919)	(882,628)	(1,067,844)	(1,590,420)	**(2,392,666)**
	3,347,201	3,947,183	5,632,993	6,242,473	**6,981,794**
Equity attributable to					
Owners of the Company	3,272,561	3,835,852	5,521,276	6,087,225	**6,773,546**
Non-controlling interests	74,640	111,331	111,717	155,248	**208,248**
	3,347,201	3,947,183	5,632,993	6,242,473	**6,981,794**

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors ("Directors") of Minth Group Limited (the "Company") together with its subsidiaries (collectively the "Group"), I hereby present to our shareholders (the "Shareholders") the annual report for the financial year ended 31 December 2012 (the "Review Year").

During the Review Year, the development of China's passenger vehicle market was affected by various aspects, including implementation of purchase restriction policy of vehicles in some cities, territorial disputes between China and Japan, capacity expansion of major OEMs, implementation of the regulations of vehicle recall and "three guarantees" policy for repair, replacement or refund of faulty vehicles and the rising concern for environmental protection. The Group recorded a stable growth despite a changing market.

During the Review Year, the Group's turnover was approximately RMB4,329,906,000, representing an increase of approximately 11.3% from approximately RMB3,889,405,000 in 2011. In particular, the Group's turnover that came from the overseas markets amounted to approximately RMB1,310,813,000, representing a growth of approximately 27.0% from approximately RMB1,032,271,000 in 2011. The profit attributable to owners of the Company was approximately RMB841,159,000, representing an increase of approximately 6.8% from approximately RMB787,318,000 in 2011. The Group's gross profit was approximately RMB1,434,039,000, representing an increase of approximately 5.2% from approximately RMB1,362,604,000 in 2011.

The management of the Group will enhance its competitiveness and consolidate its presence in the industry through efforts on globalization and improvements in operations.

OPERATION AND STRATEGIC MOVES

During the Review Year, other than continuous research and development ("R&D") for new materials and new products, the Group proactively explored overseas markets and optimised customer structure. The business orders of the Group continued to grow, indicating its business potential. Improvement in the products' quality helped the Group secure business from the high-end vehicle markets.

During the Review Year, influenced by territorial disputes between China and Japan, Japanese OEMs, as the Group's major customers, reduced their production volume in China, leading to their loss in market share. The Group's domestic turnover growth slowed down due to the sluggish sales growth of Japanese OEMs. However, the Group believes that the influence is for a short term.

The Group seeks for and promotes cooperation in various approaches. On 28 September 2012, the Group and Tokai Kogyo Co., Ltd. ("Tokai Kogyo") entered into an agreement for establishment of a joint venture in Mexico that engages in the sale of resin products, plastic injection products and other related auto parts in Mexico and exports thereof to the international markets.

During the Review Year, the Group continued to put efforts on R&D of application methods for aluminum products and breakthrough on product technology. As such, the Group successfully obtained orders from various major global OEMs. The completion of the Group's aluminum products' production base in Huai'an realized the scaled production from raw materials to finished products and vertical integration of the manufacturing chain, which would further accelerate the application and promotion of the Group's new materials.

The business development of the Group will be strongly supported by its optimised network in China, fast-growing overseas market share and influence, vertically integrated design and manufacture chain as well as a well-run global production system.

IMPROVING INTERNAL MANAGEMENT

Facing the challenges arising from the cross-culture integration and the management efficiency, the Group paid a lot of attention to internal improvement and attracted more talents with international experience, in order to enhance the Group's capability of techniques and innovation.

Through leadership development programs, performance management and talent assessment systems, the Group's core values and culture were reviewed to fit its globalization efforts.

Based on the Group's business development needs and requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Group also reviewed and enhanced its entire internal management system and risk control system, revised the Company's articles and association, implementing rules of special Board committees. Based on regulatory requirements, the Group formulated an inside information management system to strengthen regulations on inside information management and enhance corporate governance.

INVESTOR RELATIONS AND COMMUNICATION

The Group thoroughly maintains and enhances its transparency. Latest developments and financial reports of the Group are available to investors through its website http://www.minthgroup.com, or by directly contacting the Group's Investor Relations Department.

The Group maintains effective communications and good relationships with fund managers and analysts through meetings, conference calls, road shows, etc. Shareholders are encouraged to make enquiries to the company's appropriate staff member through meetings, emails, or phone calls, etc. They are also invited to attend annual general meetings and voice any concerns or suggestions to the Directors.

FUTURE PROSPECT

There are many challenges ahead for the world politics and economy, and the changing market may be deemed as a potential factor that impacts the vehicle industry and the Group's profitability.

The urbanization in China, the upgrade of consumption structure and the rigid demand of cars will ensure the sustainable development of China's vehicle market, and fuel-efficient and new energy cars are expected to enjoy more favorable development opportunities.

The Group will continue to be dedicated to globalization in order to mitigate the potential pressure arising from wage inflation, fluctuation of exchange rate and other hurdles which might influence the future development of the Group. The Group will also explore business opportunities through R&D in new techniques and new materials, as well as attempt to set foot in the business for aftermarket, electric vehicle parts and welfare vehicles.

APPRECIATION

On behalf of the Board of Directors, I would like to express my heartfelt gratitude to our management and employees for their diligence, hard work and contribution for the Group, and I would also like to thank all Shareholders for their support and trust. With such assistance and support, the Group is confident of generating long-term and greater value for Shareholders.

CHIN JONG HWA
Chairman
19 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

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INDUSTRY OVERVIEW

During the Review Year, China's passenger vehicle market suffered from multiple aspects, including the slowdown in the growth of China's macro economy and vehicle industry, implementation of purchase restriction policy of vehicles in some cities and sales decline of Japanese cars caused by territorial disputes between China and Japan. In addition, various car manufacturers expanded their production capacity and expected to increase their market share by designing fuel-efficient cars and applying new high technology, resulting in intensified competition in China's passenger vehicle market and diversification of market demands and consumption preferences. During the Review Year, the production and sale of passenger vehicles in China are approximately 15.52 million units and approximately 15.50 million units respectively, of which year-on-year growth are approximately 7.2% and approximately 7.1% respectively, with overall growth remaining at a modest level.

Driven by the launch of many new vehicle models and improved consumer confidence, the vehicle market of the United States (the "US") recorded positive growth for three consecutive years after the financial crisis. While the Japan's vehicle market realized positive growth after two years' downturn, the European vehicle market recorded a sharp fall in sales under the European sovereign debt crisis. Emerging markets demonstrated a comprehensive growth. Russia leapt to the second place in the European vehicle market and yet the rate of its rapid growth slowed down. The vehicle markets of Brazil and India recorded a turnaround from its stagnant growth in 2011.

As for the auto parts industry, multinational corporations improved its different levels of operations in China, such as R&D, production and after-sales services, in order to further lower the cost and increase the competitiveness of the products. The trend has been increasing in terms of global purchasing and module supply of auto parts. Facing the challenges of fluctuations in exchange rates and upsurge in costs, China's auto parts enterprises have to seek for breakthroughs through restructuring, upgrading and globalization.

COMPANY OVERVIEW

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

During the Review Year, influenced by territorial disputes between China and Japan, Japanese OEMs, as the Group's major customers, reduced their production in China, leading to its loss in market share. The Group's domestic turnover growth was slowed down by the sluggish sales growth of Japanese OEMs. However, the Group believes that the influence is for a short term.

During the Review Year, with a diversified and balanced customer base and through a series of prompt and effective responsive measures, such as allocation of internal resources, minimization of costs, enhancement of production efficiency, in addition to increasing standard of service, whilst the partnership between the Group and its customers were strengthened, the Group maintained a moderate growth in the turnover of the domestic market. Benefited from the increase of overseas customers' demand and their production capacity, during the Review Year, the Group secured more orders for global platform vehicles. The Group's overseas turnover grew favorably and its turnover and profits reported a stable growth for the year.

Business and Operation Layout

During the Review Year, the domestic turnover of the Group was approximately RMB3,019,093,000, representing an increase of approximately 5.7% compared with approximately RMB2,857,134,000 last year. With the gradual increase of production capacity of the plants located in Thailand and Mexico as well as the growth of major overseas markets, the Group's overseas turnover achieved a sustainable growth to approximately RMB1,310,813,000, representing an increase of approximately RMB278,542,000 or approximately 27.0% as compared with approximately RMB1,032,271,000 last year.

During the Review Year, although Japanese OEMs gradually restored their production capacity and launched more new models to participate in the market competition, Japanese OEMs reduced production in China and their market share slipped as a result of the territorial disputes between China and Japan. The Group's growth rate of sales to Japanese OEMs remained stagnant and the growth rate of the Group's domestic turnover slowed down. The Group believes that such events will have a short-term effect. Following the gradual restoration of Japanese OEMs' production capacity, the Group's relevant sales will gradually return to normal. The Group took this opportunity to enhance the exploration of the domestic business of European and American OEM customers and made significant progress. The Group's domestic turnover is expected to grow at a stable pace in the future.

The Group actively strengthened the relationship with its Japanese key customers amid the industry adjustments and market changes. During the Review Year, the Group was successfully awarded by Toyota to supply parts for one of its high-end vehicles and entered the global supply chain of Nissan, and built up a global production management mechanism, which laid a solid foundation to meet the increasing demand of global supply for its customers. On 28 September 2012, the Group and Tokai Kogyo. entered into an agreement for establishment of a joint venture in Mexico that engages in the sale of resin products, plastic injection products and other related auto parts in Mexico and exports thereof to the international markets. Further details of this joint venture are set out in the Company's announcement dated 28 September 2012.

Meanwhile, the Group insisted on optimizing customer structure and expanding customer base, and obtained the recognition from the European and the American OEMs. The business orders of the Group, especially that for global platform vehicles, continued to grow, which would secure the business growth in the future. During the Review Year, the Group entered into an agreement with Great Wall Motor Company Limited and became its strategic supplier, which gradually balanced and optimised the customer structure of the Group. During the Review Year, the overseas turnover and influence of the Group continued to grow. The Group obtained new orders for BMW's global platform vehicles and successfully entered into Daimler's global procurement system. The export business of the Group maintains a solid growth momentum and the proportion of overseas market share grows increasingly with great prospects for the future.

In order to adapt to the market trend of body weight reduction and modularization of vehicles, during the Review Year, the Group continued to put efforts on R&D of application methods for aluminum products and breakthrough on product technology. As such, the Group successfully obtained orders from various major global OEMs. The completion of the Group's aluminum products' production base in Huai'an realized the scaled production from raw materials to products and vertical integration of the manufacturing chain, which would further accelerate the application and promotion of the Group's new materials. Exploring and developing markets of new materials to enhance and improve the revenue generated from the Group's products, capture more markets of high-end vehicles and strive for more orders for global platform vehicles.

The commencement of the Group's new seat components production base and the ramp-up of its production capacity has ensured an ample supply of such products for the development of the market in the future. Meanwhile, the Group's seat components business obtained orders from a non-Japanese OEM for the first time during the Review Year.

Meanwhile, the Group explored and identified new business opportunities, further optimized the global production bases and enhanced the capability of worldwide delivery. During the Review Year, the establishment of a new production base in Thailand and the establishment and development of the production bases in Central and Northern China including Zhengzhou, Beijing and Tianjin helped the Group provide just-in-time service to the customers, explore potential customers and obtain new orders.

Research and Development

The Group continues to invest in R&D for the parts for welfare vehicles and new energy vehicles and aluminum products, and implements R&D for electronics and system integration products based on customer demand. Other than continuous R&D for new materials and new products, the Group keeps on upgrading the technologies and equipment of the existing production line, enhancing efficiency of R&D, reducing the cost of R&D and production in order to increase the competitiveness of the products.

During the Review Year, the Group attracted excellent R&D talents with international experience, further optimized talent pool, strengthened technical and cultural exchange and enhanced the Group's capabilities and mechanism of global concurrent design service.

During the Review Year, the Group filed 167 patent applications for approval and 203 patent applications were authorised by the competent institutions.

Corporate Social Responsibility

While pursuing maximum return to shareholders, the Group actively performed its corporate social responsibilities. On one hand, the Group has leveraged upon its industry strengths to expand its welfare vehicle business which brings convenience to the physically disabled; on the other hand, the Group has continued to make contribution to the society by cash donation and enshrine the value of an active and healthy life.

FINANCIAL REVIEW

Results

During the Review Year, the Group's turnover was approximately RMB4,329,906,000, representing an increase of approximately 11.3% from approximately RMB3,889,405,000 in 2011. The growth rate of Japanese business slowed down due to the territorial disputes between China and Japan. However, capitalising on the Group's insightful layout, a growth of approximately 27.0% was recorded for overseas markets, achieving a stable growth in the overall turnover.

During the Review Year, the profit attributable to owners of the Company was approximately RMB841,159,000, representing an increase of approximately 6.8% from approximately RMB787,318,000 in 2011. This was mainly attributable to our continued emphasis on the control of cost and expense while pursuing a growth in turnover of the Group, which helped the Group to maintain an overall decent profitability.

Sales of Products

During the Review Year, the Group continued to focus on its core products, such as trims, decorative parts and body structural parts which were mainly supplied to plants of the major global OEMs.

An analysis on the Group's turnover by geographical markets based on location of customers was as follows:

Customer category	2012		2011	
	RMB'000	%	RMB'000	%
The PRC	3,019,093	69.7	2,857,134	73.5
Asia Pacific	365,432	8.4	299,383	7.7
North America	704,998	16.3	556,776	14.3
Europe	240,383	5.6	176,112	4.5
Total	4,329,906	100.0	3,889,405	100.0

Overseas Market Turnover

During the Review Year, the Group's turnover that comes from overseas markets was approximately RMB1,310,813,000, representing a growth of approximately 27.0% from approximately RMB1,032,271,000 in 2011. The proportion of such turnover grew to approximately 30.3% of the total turnover in 2012 from approximately 26.5% in 2011.

Gross Profit

During the Review Year, the Group's gross profit was approximately RMB1,434,039,000, representing an increase of approximately 5.2% from approximately RMB1,362,604,000 in 2011. The gross profit margin was approximately 33.1% in 2012, representing a decrease of approximately 1.9% from approximately 35.0% in 2011. It was mainly attributable to the fact that under the pressure from the decline in product price, wage inflation and fluctuation of exchange rates, the Group offset the unfavorable impact from the market forces through persistent efforts in continuous improvement in the manufacturing processes and technologies, a greater utilization rate of materials and implementation of a centralized procurement policy. In addition, the Group continued to enhance the efficiency of both production and management to maintain the overall gross profit margin at a decent level.

Other Income

During the Review Year, other income of the Group amounted to approximately RMB106,019,000, representing a decrease of approximately RMB27,220,000 as compared to approximately RMB133,239,000 in 2011. This was mainly attributable to a decrease in government subsidies.

Other Gains and Losses

During the Review Year, the Group's other gains and losses amounted to a net gain of approximately RMB117,397,000, representing an increase of approximately RMB111,015,000 as compared to a net gain of approximately RMB6,382,000 in 2011. It was mainly attributable to an increase in the gain from forward exchange contracts entered into by the Group in order to mitigate against the foreign exchange risk and offset the adverse impacts of fluctuation of exchange rates on gross profit margin, as well as an increase in the gain from several financial products.

Distribution and Selling Expenses

During the Review Year, the Group's distribution and selling expenses amounted to approximately RMB130,115,000, representing a decrease of approximately RMB827,000 from approximately RMB130,942,000 in 2011. It accounted for approximately 3.0% of the Group's turnover, representing a decrease of approximately 0.4% from approximately 3.4% in 2011. It was mainly attributable to the logistic integration policies proactively adopted by the Group which enhanced the logistic efficiency and further reduced the logistic expenses during the Review Year.

Administrative Expenses

During the Review Year, the administrative expenses of the Group amounted to approximately RMB347,155,000, representing an increase of approximately RMB36,893,000 from approximately RMB310,262,000 in 2011. It accounted for approximately 8.0% of the Group's turnover, which remained at a similar level as approximately 8.0% in 2011.

Research Expenditures

During the Review Year, the research expenditures of the Group amounted to approximately RMB231,840,000, representing approximately 5.4% of the Group's turnover, which remained at a similar level as approximately 5.4% in 2011.

Share of Profits of Jointly Controlled Entities

During the Review Year, the Group's share of profits of jointly controlled entities was approximately RMB24,703,000, representing an increase of approximately RMB5,765,000 from approximately RMB18,938,000 in 2011, which was due to the fact that the Group's share of profits of a jointly controlled entity increased by RMB5,847,000 from 2011.

Share of Profits of Associates

During the Review Year, the Group's share of profits of associates was approximately RMB29,927,000, representing a decrease of approximately RMB4,393,000 or approximately 12.8% as compared to approximately 34,320,000 in 2011. This was mainly due to decrease in profits of two associates of the Group, resulting from their high exposure to the Japanese OEMs and territorial disputes between China and Japan.

Income Tax Expense

The Group's income tax expense in 2012 was approximately RMB147,695,000, representing an increase of approximately RMB11,684,000 from approximately RMB136,011,000 in 2011.

During the Review Year, the Group's effective tax rate was approximately 14.1%, which remained at a similar level as approximately 14.1% in 2011.

Profits Attributable to Non-controlling Interests

During the Review Year, the Group's profit attributable to non-controlling interests was approximately RMB55,222,000, representing an increase of approximately RMB15,610,000 as compared to approximately RMB39,612,000 in 2011. It was mainly attributable to the preliminary profit phase of two joint ventures newly incorporated in 2011 and the increase in profit from the original joint ventures.

Liquidity and Financial Resources

As of 31 December 2012, the Group's bank balances and cash amounted to approximately RMB4,130,051,000, representing an increase of approximately RMB338,350,000 as compared to approximately RMB3,791,701,000 as of 31 December 2011. This was mainly due to the strong operating cash flow generated from the Group's sound operating profit. As of 31 December 2012, the Group's low-cost borrowings amounted to approximately RMB1,457,980,000, among which the equivalent of approximately RMB167,670,000, approximately RMB660,555,000 and approximately RMB317,755,000 were denominated in Japanese Yen ("JPY"), US Dollar ("USD") and Hong Kong Dollar ("HKD") respectively, representing an increase of borrowings of approximately RMB632,156,000 as compared to approximately RMB825,824,000 as of 31 December 2011. The increase was mainly due to the borrowings that the Group brought in after considering the consolidated gains from capital, interest rates and exchange rates.

During the Review Year, the net cash flow from the Group's operating activities was approximately RMB601,850,000, indicating a sound cash flow condition.

As of 31 December 2012, the Group's current ratio decreased from approximately 3.6 in 2011 to approximately 3.0. As of 31 December 2012, the Group's gearing ratio was 15.6% (2011:10.5%), which was a percentage based on the interest-bearing borrowings divided by total assets.

During the Review Year, the Group's inventory turnover days were approximately 58 days, extending 5 days as compared to approximately 53 days in 2011. It was mainly due to the increase of projects under development associated with new business awards and the increase in the inventory of raw materials for mitigating price inflation risks.

During the Review Year, the Group's receivables turnover days were approximately 70 days, which remained at a similar level as approximately 71 days in 2011.

During the Review Year, the Group's payables turnover days were approximately 49 days, extending 5 days from approximately 44 days in 2011. This was mainly attributable to the optimization of the procurement and supply channels, and that the payment term from suppliers has been extended as appropriate.

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

COMMITMENTS

As of 31 December 2012, the Group had the following commitments:

	RMB'000
Capital Commitment	
Capital expenditure contracted for but not provided in the financial statements in respect of:	
– acquisition of property, plant and equipment	203,568
– prepaid rentals for lease premium for land	38,894

INTEREST RATE AND FOREIGN EXCHANGE RISKS

As of 31 December 2012, the balance of borrowings was approximately RMB1,457,980,000 of which approximately RMB312,000,000 was bearing at fixed interest rates, and approximately RMB1,145,980,000 was bearing at floating interest rates. The aforesaid borrowings had no seasonality. In addition, approximately RMB1,145,980,000 of the said borrowings was denominated in currencies other than the functional currencies of the Group's related entities, of which the equivalent of approximately RMB167,670,000, approximately RMB660,555,000 and approximately RMB317,755,000 were denominated in JPY, USD and HKD, respectively.

Most of the Group's sales and procurements are settled in RMB. However, with the expansion of overseas operations, the management of the Group is closely monitoring its foreign exchange exposure and hedging against the risk with forward exchange contracts.

The Group's cash and cash equivalents are mainly denominated in RMB and USD. Remittance of funds out of the PRC is subject to the foreign exchange control restrictions imposed by the PRC government.

As of 31 December 2012, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB389,101,000, of which the equivalent of approximately RMB323,216,000 was denominated in USD, approximately RMB6,085,000 was denominated in HKD, approximately RMB17,872,000 was denominated in Euro, approximately RMB19,911,000 was denominated in JPY and approximately RMB22,017,000 was denominated in Thai Baht. In order to mitigate the foreign exchange risk, the Group has delegated a team responsible for the planning of related work.

CONTINGENT LIABILITIES

As of 31 December 2012, the Group had no contingent liabilities (2011: Nil).

MORTGAGED ASSETS

As of 31 December 2012, the Group had borrowings of approximately JPY446,222,000 (equivalent to approximately RMB32,596,000) and approximately RMB252,000,000 secured by bank deposits of approximately USD5,180,000 and approximately RMB252,000,000, respectively. The loans are to be settled in JPY and RMB respectively (2011: the Group had borrowings of approximately JPY439,421,000 (equivalent to approximately RMB35,638,000) secured by bank deposits of approximately USD5,663,000).The Group has also pledged freehold lands and buildings having a net book value of approximately RMB21,269,000 (31 December 2011: approximately RMB19,910,000) to secure general banking facilities granted to the Group.

CAPITAL EXPENDITURE

Capital expenditure includes the acquisition of property, plant and equipment, the increase in construction in progress and the new addition of land use rights. During the Review Year, the Group's capital expenditure amounted to approximately RMB678,681,000 (2011: approximately RMB458,374,000). The increase in capital expenditure was mainly attributable to the Group's increase of production facilities and land reserves with the aim of expanding the Group's production capacity.

PLACING AND SUBSCRIPTION

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

MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisitions or disposals of subsidiaries and associated companies during the Review Year.

EMPLOYEES

As of 31 December 2012, the Group had a total of 7,312 employees, increased by 841 compared to that as at 31 December 2011. During the Review Year, the Group recruited many new senior managers with international experience to meet its continued globalization plans. These international executives will continue to help the Group to drive critical innovation and technology and strengthen the management leadership. The other important reason for the increase of employees is the growth in production capacity of the plants located in North America and Thailand.

During the Review Year, the Group carried out a series of leadership development programs and training and strengthened the performance management and talent assessment systems to ensure that the Group had the talent pipeline for succession to support its future business strategy and growth. The Group's core values and culture was reviewed to fit its globalization efforts.

FUTURE PROSPECTS

Given that the growth rate of China's macroeconomy is reduced but remains at a steady pace in general, the macroeconomic environment that the vehicle market in China faces is stable. Factors such as the fluctuation in bilateral relations between China and Japan, the current policy of purchase restrictions of vehicles in some cities and the rising concern for environmental protection will bring certain impact on the development of the vehicle market. Meanwhile, the optimization in the product chain by car manufacturers, expansion in production capacity, development of new energy vehicles, together with the implementation of the regulations of vehicle recall and "three guarantees" policy for repair, replacement or refund of faulty vehicles and the increasing competition, will facilitate the overall enhancement of vehicle market. The urbanization in China, the upgrade of consumption structure and the vehicle replacement trend in China will also stimulate consumption demands. As such, the Group looks forward to the national consumption potential in the long run.

In the short term, the expansion of overseas customer base for the improvement in customer mix, development of aluminum products for the enrichment of product line-ups and increasing orders for global platform vehicles are beneficial to the balanced development of overseas and domestic market. It will also mitigate the impact of the territorial disputes between China and Japan and enhance the capabilities of protecting the Group against various unknown risks.

The intense market competition pushed OEMs to put more effort in the launch of the new vehicle models. Given the increasing number of new global platform vehicles, the Group will further upgrade the capabilities of global concurrent design as well as R&D, actively promote the adoption of new materials and new technologies, track the trend of producing light and environmentally-friendly vehicles, invest in production of new products such as aluminum products in order to strive for more orders for global platform vehicles. The Group's market share and influence will therefore expand steadily. Meanwhile, the Group initiatively adapts to the market changes, actively pursues and carefully evaluates appropriate investment target, develops and expands overseas production base, strengthens global supply capability and fulfills the increasing demands of the customers.

The Group will progressively advance in the business of welfare vehicles and relevant parts, follow up the initial R&D and technological reserve of new energy vehicles and parts and actively pay attention to the development of the aftermarket. The Group will track the leading indicators of market development, and keep abreast of the industry trend in order to become a leading supplier in the global automotive parts industry. The Group will create value for customers, profit for shareholders and opportunities for employees.

DIRECTORS AND SENIOR MANAGEMENT

敏于思，實于行
INTELLIGENCE IS ACTIONAL

DIRECTORS

Executive Directors

Chin Jong Hwa (秦榮華) ("Mr. Chin"), aged 54, is the Chairman and an executive Director of the Company and director of various subsidiaries of the Group. He founded the Group in March 1997 and is the controlling shareholder of the Company. Mr. Chin graduated from China Urban Administration College. Mr. Chin has experience of over 25 years in management in the auto-parts industry and has been leading the management team since the founding of the Group. Mr. Chin is also active in various other organizations, including being a vice-chairman of Ningbo Association of Enterprise with Foreign Investments, a director of the Ningbo Polytechnic, a consultant to the Ningbo People's Political Consultative Conference for Hong Kong, Macao and Taiwan affairs and an executive vice-chairman of Jiaxing Association of Enterprises with Investments from Taiwan. Mr. Chin was awarded the titles of Honorary Citizen in Ningbo, Jiaxing and Huai'an, and the Economic Person of 2010 in Huai'an as well. He was appointed as a Director of the Company on 14 July 2005. As at 31 December 2012, Mr. Chin is interested in approximately 40.53% shareholding interest in the Company through Linkfair Investments Limited ("Linkfair"), a company wholly owned by Mr. Chin, which held 436,664,000 shares of the Company ("Shares"). As at 31 December 2012, save as aforesaid, Mr. Chin has no interests in the Shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO").

Shi Jian Hui (石建輝) ("Mr. Shi"), aged 40, is the Chief Executive Officer ("CEO") and an executive Director of the Company and director of various subsidiaries of the Group. Mr. Shi graduated from Zhejiang University of Technology where he majored in the machinery design and manufacturing and obtained an Executive Master of Business Administration ("EMBA") degree from the Cheung Kong Graduate School of Business in 2007. Mr. Shi has experience of almost 20 years in the Chinese auto-parts industry since he joined one of Mr. Chin's companies in 1993. Prior to his current position as CEO, he assumed responsibility as general manager of operations (including leading both overseas and domestic business departments), head of the R&D Centre and was in charge of Human Resources Departments for the Group as a whole. Mr. Shi joined the Group in March 1997 and was appointed as a Director on 14 July 2005. As at 31 December 2012, save for his interest in 232,000 Shares and 2,800,000 Share Options, Mr. Shi has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Zhao Feng (趙鋒) ("Mr. Zhao"), aged 44, is the Vice President and an executive Director of the Company and director of various subsidiaries of the Group, with the overall responsibilities for the Group's sales. Mr. Zhao has over 14 years of experience in management. Since joining the Group in 1999, Mr. Zhao has worked successively as a purchase officer, manager of the business department and deputy general manager of business operations. Mr. Zhao was appointed as a Director on 22 December 2006. As at 31 December 2012, Mr. Zhao was interested in 104,000 Shares and 1,600,000 Share Options in the Company personally. Since Mr. Zhao is the spouse of Ms. Zhu Chun Ya ("Ms. Zhu"), he is deemed to be also interested in the 50,000 Shares and 450,000 Share Options in which Ms. Zhu was interested in. Accordingly, Mr. Zhao was interested in 154,000 Shares and 2,050,000 Share Options in the Company. As at 31 December 2012, save as disclosed herein, Mr. Zhao has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Kawaguchi Kiyoshi (川口清) ("Mr. Kawaguchi"), aged 53, is an executive Director. Mr. Kawaguchi is currently the President of Minth Japan Co., Ltd., a wholly-owned subsidiary of the Company. Mr. Kawaguchi graduated from the Literature Department of Aichi University where he majored in Chinese Literature. Prior to joining the Company, Mr. Kawaguchi had for long worked for Nissho Iwai Corporation and Sojitz Corporation, which was formed by the merger of Nissho Iwai Corporation and Nichimen Corporation in 2004. Mr. Kawaguchi worked as manager of the mechanical department of its Shanghai office, manager of the mechanical department of its Hong Kong subsidiary, head of the China project department of the China automobile promotion office, where he also held other management positions, as well as head of the automobile department of the Sojitz (China) Limited Corporation. Mr. Kawaguchi has experience of over 21 years in management. Mr. Kawaguchi joined the Group in 2011 and was appointed as a Director on 18 May 2011. As at 31 December 2012, save for his interest in 500,000 Share Options, Mr. Kawaguchi has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Non-executive Directors

Yu Zheng (鄭豫) ("Ms. Zheng"), aged 44, is a non-executive Director. Ms. Zheng has worked in the computer industry both in China and the United States for many years. She had also accumulated over 16 years' experience in the management consulting industry through many years with the Boston Consulting Group and later with Roland Berger Strategy Consultants as its senior partner responsible for the industrial and automotive industries practice in Greater China. Ms. Zheng had been with PineBridge Investments (formerly known as the AIG Global Investments) as the Managing Director from 2008 to 2011, in charge of private equity investment in Greater China. Ms. Zheng has extensive experience in various management practices including strategy development, brand management, organizational restructuring, global sourcing, joint venture strategy, and project management for both global and Chinese clients. Her industry experience includes automotive, industrial goods, consumer electronics, retail and fast moving consumer goods, education, media and publishing, etc. Ms. Zheng is currently an independent investor and consultant. Ms. Zheng received her bachelor's degree in Computer Science in Beijing Normal University and Master of Business Administration ("MBA") from the University of Texas at Austin. Ms. Zheng joined the Group and was appointed as a non-executive Director of the Company on 1 January 2008. As at 31 December 2012, Ms. Zheng has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

He Dong Han (何東翰) ("Mr. He"), aged 40, is a non-executive Director. Mr. He graduated from Beijing Foreign Studies University in 1993 with a bachelor's degree. Prior to joining the Group, Mr. He focused on financial investments and had an extensive experience of 19 years in investment, with an investment direction involving various industries including tyre, new material, medicine and internet. Mr. He joined the Group in 2011 and was appointed as a non-executive Director on 18 May 2011. As at 31 December 2012, save for his interest in 1,000,000 Share Options in the Company, Mr. He has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Independent Non-executive Directors

Wang Ching (王京) ("Dr. Wang"), aged 58, is an independent non-executive Director and the chairman of the nomination committee of the Company ("Nomination Committee"). Dr. Wang has over 21 years' managerial experience in investment banking, securities, treasury and asset management in the United States, Hong Kong, Taiwan and the PRC. He is currently the managing director of Shanghai International Asset Management (HK) Co. Ltd., a licensed corporation registered with Hong Kong Securities and Futures Commission and the executive director of Shanghai International Shanghai Growth Investment Limited, an investment fund company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Dr. Wang also serves as independent non-executive directors of China Singyes Solar Technologies Holdings Limited and Yingde Gases Group Company Limited, both are listed on the Stock Exchange, in which he advises the management on financial development and internal control. Dr. Wang is an adjunct Associate Professor of Global Management Education Institute, Shanghai University. Dr. Wang received his doctorate degree from the Graduate School of Business, Columbia University in 1992. Dr. Wang joined the Company as an independent non-executive director on 26 October 2005. As at 31 December 2012, Dr. Wang has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Zhang Liren (張立人) ("Mr. Zhang"), aged 66, is an independent non-executive Director and the chairman of the remuneration committee of the Company ("Remuneration Committee"). Mr. Zhang has over 44 years' experience in the automobile, electronic and mechanical industry. He is the executive director of the S-car, L-car & V-car platforms of Shanghai General Motors Corporation Limited ("SGM"). He is also the chief engineer of Pan Asia Auto Technology Centre. Prior to his current position, he was a special consultant to president of SGM, the director of Business Planning Development Department and the senior manager of the Quality Control Department in SGM. He was also the deputy chief engineer of Shanghai Auto Industry Technology Centre and a research officer in the Computer and Equipment Department in Shanghai Auto Research Institute. Mr. Zhang joined the Company as an independent non-executive Director on 26 October 2005. As at 31 December 2012, Mr. Zhang has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Wu Fred Fong (胡晃) ("Mr. Wu"), aged 65, has been an independent non-executive Director and Chairman of the audit committee of the Company ("Audit Committee") since his appointment on 1 January 2009. Previously, Mr. Wu was an executive director for eight years of a company listed on the Stock Exchange. Mr. Wu has considerable experience in auditing, corporate planning, corporate finance, investment, consulting with public companies in Canada and Hong Kong. Mr. Wu holds an MBA degree in the Schulich School of Business, York University, Canada. Mr. Wu is a Chartered Accountant qualified in Canada and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wu is currently an independent non-executive director of China Public Procurement Limited, a company listed on the Mainboard of the Stock Exchange. As at 31 December 2012, Mr. Wu has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

Loke Yu (陸海林) ("Dr. Loke"), aged 63, is the Company Secretary of the Company. Dr. Loke has over 38 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds an MBA Degree from the University Teknology Malaysia and a Doctor of Business Administration Degree from University of South Australia. Dr. Loke is a Fellow of The Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors. He is also an Associate Member of The Hong Kong Institute of Chartered Secretaries. He currently serves as an independent non-executive director of VODone Limited, Matrix Holdings Limited, Sino Distillery Group Limited, China Fire Safety Enterprise Group Limited, Winfair Investment Company Limited, SCUD Group Limited, Zhong An Real Estate Limited, Chiho-Tiande Group Limited and Tianjin Development Holdings Limited, all of which are companies listed on the Stock Exchange. Dr. Loke joined the Company as the Company Secretary in 2007. As at 31 December 2012, Dr. Loke has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Bao Jian Ya (包建亞) ("Ms. Bao"), aged 41, is the Chief Financial Officer ("CFO") of the Group. Ms. Bao graduated from Shanghai University of Finance and Economics in 1993 where she majored in international accounting. She has over 19 years of experience in accounting and financial management. Prior to joining the Group in March 2005 and assuming the responsibility of financial controller, she was the financial controller of another Chinese manufacturer. She was nominated as CFO of the Group on 22 December 2006. As at 31 December 2012, save for her interest in 1,450,000 Share Options in the Company, Ms. Bao has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Wong Ching Li (王景立) ("Mr. Wong"), aged 54, is the Chief Technology Officer of the Group. Mr. Wong graduated from Ohio State University majoring in Industrial and Systems Engineering and obtained Master' and Doctor's degrees in 1986 and 1989, respectively. He also received an MBA Degree from Massachusetts Institute of Technology in 1999 as a Sloan Fellow. Mr. Wong has over 30 years of experience in automotive, IT and manufacturing industry. Prior to joining the Group in November 2010, Mr. Wong has worked in the USA, Korea, Hong Kong, and China as president or vice president of six corporations. As of 31 December 2012, save for his interest in 500,000 Share Options in the Company, Mr. Wong has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Paul Choo (朱文欽) ("Mr. Choo"), aged 48, is the Chief Human Resource Officer ("CHO") of the Group. Mr. Choo graduated from the National University of Singapore in 1991 majoring in Psychology and Economics and obtained a Bachelor of Social Science Honors degree. He also obtained an MBA Degree with Honors from the Western Michigan University in 2001. Mr. Choo brings with him more than 20 years of broad international human resource experience across different industries including the financial, chemical and automotive industry. Prior to joining the Group in May 2012, Mr. Choo held various senior global and regional HR positions for leading multinational companies such as Bekaert, Lennox International Inc. and Exxon Chemical. Mr. Choo was nominated as CHO of the Group on 4 May 2012. As at 31 December 2012, save for his interest in 1,000,000 Share Options in the Company, Mr. Choo has no interests in the Shares of the Company within the meeting of Part XV of SFO.

Yi Lei Li (易蕾莉) ("Ms. Yi"), aged 39, is the head of the Investor Relations Department of the Group. Ms. Yi graduated from East China Normal University in 1994 where she majored in English Language and Literature. Prior to joining the Group in February 2001, she was a lecturer at the Faculty of Foreign Languages in Ningbo University. Since joining the Group, Ms. Yi has worked as manager of the Human Resources Department, manager of Overseas Business Development Department and assistant to general manager. As at 31 December 2012, save for her interest in 58,000 Shares and 700,000 Share Options in the Company, Ms. Yi has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Jin Zheng Xun (金正勛) ("Mr. Jin"), aged 39, is the General Manager of North America Operations of the Group. Mr. Jin graduated from China Institute of Metrology in 1997, and obtained Master's degree from Otto-von-Guericke University of Magdeburg in Germany in 2003 majoring in Mechanical Engineering. Mr. Jin joined the Group in April 2004 and has worked as manager of Quality Control Department, manager of Overseas Business Development Department and assistant to general manager. As at 31 December 2012, save for his interest in 800,000 Share Options in the Company, Mr. Jin has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Group commits to maintaining and ensuring a high level of corporate governance standards and continuously reviews and improves our corporate governance and internal control practices. Set out below are the principles of corporate governance as adopted by the Company during the financial year under review.

DISTINCTIVE ROLES OF CHAIRMAN, CHIEF EXECUTIVE OFFICER AND SENIOR MANAGEMENT

Mr. Chin, the Chairman of the Board, is responsible for leading the Board in establishing and monitoring the implementation of strategies and plans to create values for shareholders. Mr. Shi, the CEO, is responsible for managing the operations of the Group's businesses, proposing strategies to the Board and the effective implementation of the strategies and policies adopted by the Board.

The senior management is delegated to assist the executive Directors with the implementation of business operations and reports to the CEO.

THE BOARD

As of 31 December 2012, there are nine members on the Board, which are the Chairman, the CEO, two other executive Directors, two non-executive Directors ("NEDs") and three independent non-executive Directors ("INEDs").

Mr. Mu Wei Zhong resigned as non-executive Director with effect from 19 December 2012. Further details were set out in the Company's announcement dated 19 December 2012.

The INEDs are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the INEDs brings his own relevant expertise to the Board and its deliberations.

None of the INEDs has any business or financial interests with the Group nor has any relationship with other Directors and confirmed their independences to the Group.

The Board met regularly during the year and on ad hoc basis as required by business needs. During the Review Year, the Board also performed the following corporate governance duties:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(v) to review the Company's compliance with the Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report.

The Board met five times during the Review Year and the Directors' attendance is shown in the table on page 20 of the annual report.

NEDs and INEDs are allowed to seek advice from independent professional consultants while performing their responsibilities and the costs are to be borne by the Company. The Board has conducted a review of the effectiveness of the system of internal control of the Group.

Mr. Chin, Mr. Shi and Mr. Kawaguchi will retire and all shall offer themselves for re-election in the forthcoming annual general meeting ("AGM") of the Company.

Save for their business relationships as a result of their respective directorships and positions in the Group, each of the members of the Board, including the Chairman and the CEO, does not have any significant financial, business, family or other material/relevant relationship among one another.

The term of appointment for all NEDs is for a period up to the forthcoming AGM of the Company.

AUDIT COMMITTEE

The Group has established an Audit Committee with written terms of reference as suggested under the Code. As of 31 December 2012, the Audit Committee comprises all INEDs, namely Mr. Wu, Dr. Wang and Mr. Zhang. As of 31 December 2012, the chairman of the Audit Committee was Mr. Wu. Each member can bring to the Audit Committee his valuable experience in reviewing financial statements and evaluating significant control and financial issues of the Group who among themselves possess a wealth of management experience in the accounting profession or commercial sectors. The Audit Committee held two meetings during the Review Year and the relevant Directors' attendance is shown in the table on page 20 of the annual report.

The main duties of the Audit Committee are as follows:

(i) to review the half-year and annual financial statements before they are submitted to the Board for approval;

(ii) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(iii) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(iv) to review the Company's financial controls, internal controls and risk management systems;

(v) to review the Group's financial and accounting policies and practice;

(vi) to review and monitor the effectiveness of the internal audit function; and

(vii) to review the terms and conditions of connected transactions of the Group.

The Audit Committee reviewed the financial statements of the Group for the Review Year prior to recommending the financial statements to the Board for approval. The Board was informed that the Audit Committee had conducted a review of the effectiveness of the system of internal control of the Group. The Board has not taken a different view from that of the Audit Committee regarding the selection, resignation or dismissal of the external auditors.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee in November 2005. Its terms of reference are summarized as follows:

(a) formulate remuneration policy for approval by the Board, and implement the remuneration policy laid down by the Board;

(b) without prejudice to the generality of the foregoing:

(i) make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(ii) ensure no director or any of his associates is involved in deciding his own remuneration;

(iii) determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management. Remuneration packages include benefits in kind, pension rights and compensation payable for loss or termination of their office or appointment;

(iv) make recommendations to the Board on the remuneration of non-executive Directors;

(v) the Remuneration Committee should consult the Chairman and/or the chief executive about their remuneration proposals for other executive Directors;

(vi) review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(vii) review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(viii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

During the Review Year, the Remuneration Committee comprises a non-executive director, namely Ms. Zheng, and all three INEDs namely Mr. Wu, Dr. Wang, and Mr. Zhang. Mr. Zhang was the Chairman of the Remuneration Committee.

The Remuneration Committee held one meeting during the Review Year to discuss remuneration related matters including determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts and the relevant Directors' attendance is shown in the table set out on page 20 of the annual report.

In order to attract, retain, and motivate executives and key employees serving the Group, the Company adopted the Share Option Scheme in 2005 and the New Share Option Scheme in 2012. Such incentive schemes enable the eligible persons to obtain an ownership interest in the Company and thus reward the participants who contribute to the success of the Group's operations.

Details of the amount of Directors' emoluments are set out in note 12 to the consolidated financial statements and details of the 2005 Share Option Scheme and 2012 New Share Option Scheme are set out in the Directors' Report and note 36 to the consolidated financial statements.

NOMINATION COMMITTEE

The Board is responsible for considering the suitability of an individual to act as a Director, and approving and terminating the appointment of a Director. As of 21 March 2012, the Company did not establish a Nomination Committee considering the small size of the Board.

The Chairman was responsible for identifying suitable candidates for members of the Board when there was a vacancy or an additional Director was considered necessary. The Chairman would propose the appointment of such candidates to each member of the Board for consideration. In relation to the appointment of new Directors, each member of the Board would review the qualifications of the relevant candidate, for determining the suitability to the Group on the basis of his or her qualifications, experiences and background.

The Company established the Nomination Committee on 21 March 2012. Its duties are summarized as follows:

(a) formulate nomination policy for the Board's consideration and implement the Board's approved nomination policy; and

(b) without prejudice to the generality of the foregoing:

    (i) review the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

    (ii) identify individuals suitably qualified to become Board members and select or make recommendations on the selection of individuals nominated for;

    (iii) assess the independence of independent non-executive Directors;

    (iv) make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive;

    (v) do any such things to enable the Nomination Committee to perform its responsibilities and functions conferred on it by the Board; and

    (vi) conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's articles or imposed by legislation.

The Nomination Committee comprises all three INEDs, namely Mr. Wu, Dr. Wang and Mr. Zhang. Dr. Wang was the Chairman of the Nomination Committee. The Nomination Committee held one meeting during the Review Year.

SHAREHOLDERS' RIGHTS

Shareholders have right to raise questions and make suggestions on the business of the Company. All shareholders shall have equal rights according to their respective shareholding and assume corresponding obligations.

Shareholders are entitled to get access to and participate in the material matters of the Company as prescribed by laws, administrative regulations and the Articles of Association of the Company.

Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisition(s) himself (themselves) may do so in the same manner.

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Branch Registrar and Transfer office. If the Shareholders and the investors make a request for the Company's information, the Company will only provide such information to the extent that it is practicable to do so and such information is publicly available. Shareholders and the investors may communicate with the Company by mail, telephone, fax and email, details for which are made available on the Company's website.

Composition of the Board and the Directors' attendance record for the year ended 31 December 2012

	2012 AGM	The Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of Meetings	1	5	2	1	1
Executive Directors					
Chin Jong Hwa *(Chairman)*	1	5	N/A	N/A	N/A
Shi Jian Hui *(CEO)*	0	5	N/A	N/A	N/A
Zhao Feng	0	5	N/A	N/A	N/A
Kawaguchi Kiyoshi	0	4	N/A	N/A	N/A
Non-executive Directors					
Mikio Natsume	0	N/A	N/A	N/A	N/A
Yu Zheng	1	5	N/A	1	N/A
He Dong Han	0	4	N/A	N/A	N/A
Mu Wei Zhong	0	4	N/A	N/A	N/A
Independent Non-executive Directors					
Wang Ching	0	5	2	1	1
Zhang Liren	0	4	2	1	1
Wu Fred Fong	0	4	1	1	1

INDEPENDENCE INFORMATION

The Company has received, from each of the INEDs, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs independent.

DIRECTOR'S TRAINING AND DEVELOPMENT

Development and training of Directors is an ongoing process so that they can perform their duties appropriately. The Company regularly circulates details of training courses which may be of interest to Directors. All Directors are encouraged to attend relevant training courses.

Since January 2012, all Directors have been required to provide the Company with their training records on a quarterly basis, and such records have been maintained by the Company for regular review. Save for Company Secretary who attended about 15 hours of training, each Director received more than 8 hours of training in 2012.

AUDITOR'S REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the Review Year, the Company was required to pay an aggregate of approximately RMB3,347,000 to the external auditor for its audit services.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for preparing the accounts and the reporting responsibilities of the external auditor to the Shareholders are set out on page 34 of the annual report.

LOOKING FORWARD

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take necessary actions to ensure compliance with the provisions of the Code.

DIRECTORS' REPORT

The Board is pleased to present the annual report and the audited financial statements of the Group for the Review Year.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company while its subsidiaries are engaged in design, manufacturing, processing, developing and sales of automobile body parts and moulds of passenger cars.

RESULTS

The results of the Group for the Review Year are set out in the Consolidated Statement of Comprehensive Income on page 36 of the annual report.

DIVIDENDS

The Board recommends the payment of a final dividend of HKD0.385 per Share for the Review Year to the Shareholders on the Company's register of members on 3 June 2013.

PROPERTY, PLANT AND EQUIPMENT

During the Review Year, the Group incurred approximately RMB678,681,000 for the acquisition of property, plant and equipment. Details of these and other movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL AND RESERVES

During the Review Year, 826,000 Share Options have been exercised by persons who are not Directors of the Company. 3,700,000 Share Options lapsed due to resignations of persons who are not Directors of the Company. During the Review Year, the Company has issued 826,000 Shares as a result of the exercise of Share Options granted pursuant to the Company's Share Option Scheme. The total consideration received by the Company for such issue during the Review Year amounted to approximately HKD4,410,840.

Save as disclosed herein, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of its listed securities during the Review Year.

Movements in the reserves of the Group and the Company during the Review Year are set out in the Consolidated Statement of Changes in Equity on page 39 of the annual report.

The Company's reserves available for distribution represent the share premium, reserves and profit which in aggregate amounted to approximately RMB6,480 million as at 31 December 2012. Under the Companies Law, Cap 22 (Law 3 of 1961, consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of the Company's memorandum and Articles and provided that immediately following the date on which distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles, dividends may be declared and paid out of the profits of the Company, realised or unrealised or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividend may also be declared and paid out of share premium account of the Company.

DEBENTURES

During the Review Year, the Company did not issue any debentures.

FINANCIAL SUMMARY

A summary of the results of the assets and liabilities of the Group for the last five financial years is set out on page 4 of the annual report. The results do not constitute a part of the audited financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

For the Review Year, the largest customer accounted for approximately 10.9% of the Group's revenue, and the five largest customers accounted for approximately 38.6% of the Group's revenue.

The purchases for the Review Year attributable to the Group's largest supplier and five largest suppliers were approximately 3.4% and 13.7% of the Group's total cost of goods sold respectively.

None of the Directors, their respective associates or the existing shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital), has any interests in the Group's five largest suppliers and/or customers for the Review Year.

DONATION

During the Review Year, the donations made by the Group amounted to approximately RMB807,000 (2011: approximately RMB369,000).

DIRECTORS

The Directors of the Company during the Review Year and up to the date of this report were:

Executive Directors:
Chin Jong Hwa *(Chairman)*
Shi Jian Hui *(Chief Executive Officer)*
Zhao Feng
Kawaguchi Kiyoshi

Non-executive Directors:
Mikio Natsume (resigned on 21 March 2012)
Yu Zheng
He Dong Han
Mu Wei Zhong (resigned on 19 December 2012)

Independent Non-executive Directors:
Wang Ching
Zhang Liren
Wu Fred Fong

In accordance with Article 87 of the Articles, Mr. Chin, Mr. Shi and Mr. Kawaguchi will retire from office, and all being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' SERVICE CONTRACTS

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming AGM has entered into a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Apart from Mr. Wu, each of the INEDs was nominated on 26 October 2005 for a fixed term of one year and their appointment were renewed on 1 December 2006, 1 December 2007, 1 December 2008, 1 December 2009, 18 May 2011 and 22 May 2012 respectively. The previous three reappointments were with one-year extension and the latest three are with an extension until the Company's forthcoming AGM the next year.

Mr. Wu was appointed as an independent non-executive Director on 1 January 2009 for a fixed term of one year. His appointment was renewed on 2 December 2009, 18 May 2011 and 22 May 2012 with an extension until the Company's forthcoming AGM in 2013.

The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management are set out on pages 13 to 16 of the annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2012, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company 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 Transaction by Directors of Listed Issues ("Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Interests or short positions in the shares of the Company and its associated corporations

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 as at 31 December 2012 (Note 1)
Chin Jong Hwa	Company	Long position	Interest of controlled corporation	436,664,000 (Note 2)	40.53%
Shi Jian Hui	Company	Long position	Beneficial owner	3,032,000 (Note 3)	0.28%
Zhao Feng	Company	Long position	Beneficial owner Interest of spouse	1,704,000 500,000 (Note 4)	0.16% 0.05%
Kawaguchi Kiyoshi	Company	Long position	Beneficial owner	500,000 (Note 5)	0.05%
He Dong Han	Company	Long position	Beneficial owner	1,000,000 (Note 5)	0.09%
Mu Wei Zhong	Company	Long position	Beneficial owner	1,712,000 (Note 6)	0.16%

Note 1: The percentage of the Company's issued share capital is based on the 1,077,473,000 issued share capital as at 31 December 2012.

Note 2: As at 31 December 2012, 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 ("Ms. Wei") is the spouse of Mr. Chin, she was deemed to be interested in 436,664,000 shares in which Mr. Chin was deemed to be interested.

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

Note 4: These figures represent the aggregated number of (i) 104,000 Shares held by and 1,600,000 Shares Options granted to Mr. Zhao under the Share Option Scheme and (ii) 50,000 Shares held by and 450,000 Share Options granted to Ms. Zhu under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Zhao will acquire an aggregate of 1,704,000 Shares and Ms. Zhu will acquire an aggregate of 500,000 Shares. Since Mr. Zhao is the spouse of Ms. Zhu, he is deemed to be interested in the foresaid Shares in which Ms. Zhu is interested.

Note 5: These figures represent the aggregated number of Share Options granted to Mr. Kawaguchi and Mr. He under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Kawaguchi and Mr. He will acquire 500,000 Shares and 1,000,000 Shares, respectively.

Note 6: This figure represents the aggregated number of 112,000 Shares held by Mr. Mu and 1,600,000 Shares Options granted to Mr. Mu under the Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Mu will acquire an aggregate of 1,712,000 Shares. Mr. Mu resigned as a non-executive Director on 19 December 2012.

Other than as disclosed above, as at 31 December 2012, none of the Directors, chief executives and their associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEMES

A share option scheme (the "Share Option Scheme") was originally adopted by the Company for a period of 10 years pursuant to a written resolution of all the then shareholders of the Company on 13 November 2005. Such Share Option Scheme was subsequently terminated on 22 May 2012 and a new share option scheme (the "New Share Option Scheme") with substantively similar terms to the Share Option Scheme was adopted on the same day at the AGM of the Company for a further 10 years.

New Share Option Scheme

The adoption of the New Share Option Scheme was approved by the Company in the AGM held on 22 May 2012. Please refer to the circular and the announcement of the Company dated 20 April 2012 and 22 May 2012 respectively for details of the New Share Option Scheme. The New Share Option Scheme aimed at granting share options to those qualified persons who have contributed or will contribute to the Group as a reward or incentive. On 31 May 2012, a group of grantees (the "Grantees") as defined in the New Share Option Scheme, were granted a total of 2,690,000 Share Options as approved by the Board, allowing the Grantees to exercise those Share Options from the period between 30 May 2013 and 30 May 2017. The exercise price per share complied with the Listing Rules and was determined in accordance with the average closing price of the share of the Company quoted on the daily quotation sheet published by the Stock Exchange for the five business days immediately before the date the Share Options were granted. The Directors considered that the grant of such Share Options has no material and adverse effect to the financial condition of the Group.

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

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

The total number of Shares which may be allotted and issued upon exercise of all options granted under the Share Option Scheme must not in aggregate exceed 10% of the Shares of the Company in issue on 1 December 2005, the date of listing of the Shares on the Stock Exchange.

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% ("General Scheme Limit") of the Shares of the Company in issue on 22 May 2012, the date when the Company adopted the New Share Option Scheme, is 107,704,500 Shares. The Company ay renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares of 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 Schemes 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 Schemes 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 HKD1.00 is payable on acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the Share Option Schemes 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.

The subscription price for the Shares under the Share Option Schemes 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 31 December 2012 and pursuant to the Share Option Scheme and the New Share Option Scheme, the total number of Share Options the Company granted to the employees including the Directors and their connected persons amounted to 80,600,000 Share Options and 2,690,000 Share Options, respectively. As at the date of this report, the number of Share Options that could still be granted under the New Share Option Scheme was 105,094,500, representing 9.75% of the 1,078,053,000 Shares in issue as at 19 March 2013, being the date of this report.

Details are as follows:

	Number of Shares (Note 1)							
Name and status of participants	**As of 1 January 2012**	**Granted during the Review Year**	**Exercised during the Review Year** (Note 6)	**Lapsed during the Review Year**	**As of 31 December 2012**	**Date of Grant** (Note 2)	**Exercise Period** (Note 3)	**Subscription Price** (HKD) (Note 4)
Directors, Chief executives, and substantial shareholders and their respective connected persons								
Mr. Shi Jian Hui	400,000	–	–	–	400,000	4–7–2008	1–2–2010 to 12–11–2013	5.34
	400,000	–	–	–	400,000	4–7–2008	1–2–2011 to 12–11–2013	5.34
	600,000	–	–	–	600,000	10–6–2011	1–2–2012 to 12–11–2016	10.89
	600,000	–	–	–	600,000	10–6–2011	1–2–2013 to 12–11–2016	10.89
	800,000	–	–	–	800,000	10–6–2011	1–2–2014 to 12–11–2016	10.89
Mr. Zhao Feng	300,000	–	–	–	300,000	4–7–2008	1–2–2010 to 12–11–2013	5.34
	300,000	–	–	–	300,000	4–7–2008	1–2–2011 to 12–11–2013	5.34
	300,000	–	–	–	300,000	10–6–2011	1–2–2012 to 12–11–2016	10.89
	300,000	–	–	–	300,000	10–6–2011	1–2–2013 to 12–11–2016	10.89
	400,000	–	–	–	400,000	10–6–2011	1–2–2014 to 12–11–2016	10.89
Mr. Kawaguchi Kiyoshi	150,000	–	–	–	150,000	10–6–2011	1–2–2012 to 12–11–2016	10.89
	150,000	–	–	–	150,000	10–6–2011	1–2–2013 to 12–11–2016	10.89
	200,000	–	–	–	200,000	10–6–2011	1–2–2014 to 12–11–2016	10.89
Mr. He Dong Han	300,000	–	–	–	300,000	10–6–2011	1–2–2012 to 12–11–2016	10.89
	300,000	–	–	–	300,000	10–6–2011	1–2–2013 to 12–11–2016	10.89
	400,000	–	–	–	400,000	10–6–2011	1–2–2014 to 12–11–2016	10.89
Mr. Mu Wei Zhong	300,000	–	–	–	300,000	4–7–2008	1–2–2010 to 12–11–2013	5.34
	300,000	–	–	–	300,000	4–7–2008	1–2–2011 to 12–11–2013	5.34
	300,000	–	–	–	300,000	10–6–2011	1–2–2012 to 12–11–2016	10.89
	300,000	–	–	–	300,000	10–6–2011	1–2–2013 to 12–11–2016	10.89
	400,000	–	–	–	400,000	10–6–2011	1–2–2014 to 12–11–2016	10.89
Ms. Zhu Chun Ya *(Note 5)*	225,000	–	–	–	225,000	4–7–2008	1–2–2010 to 12–11–2013	5.34
	225,000	–	–	–	225,000	4–7–2008	1–2–2011 to 12–11–2013	5.34
Subtotal	7,950,000	–	–	–	7,950,000			
Other Participants	2,354,000	–	413,000	20,000	1,921,000	4–7–2008	1–2–2010 to 12–11–2013	5.34
	6,974,000	–	413,000	20,000	6,541,000	4–7–2008	1–2–2011 to 12–11–2013	5.34
	10,050,000	–	–	1,074,000	8,976,000	10–6–2011	1–2–2012 to 12–11–2016	10.89
	10,050,000	–	–	1,074,000	8,976,000	10–6–2011	1–2–2013 to 12–11–2016	10.89
	13,400,000	–	–	1,432,000	11,968,000	10–6–2011	1–2–2014 to 12–11–2016	10.89
Other Participants (New Share Option Scheme)	–	807,000	–	24,000	783,000	31-5-2012	30-5-2013 to 30-5-2017	9.13
	–	807,000	–	24,000	783,000	31-5-2012	30-5-2014 to 30-5-2017	9.13
	–	1,076,000	–	32,000	1,044,000	31-5-2012	30-5-2015 to 30-5-2017	9.13
Subtotal	42,828,000	2,690,000	826,000	3,700,000	40,992,000			
Total	50,778,000	2,690,000	826,000	3,700,000	48,942,000			

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

Note 2: The closing price of the Share immediately before the date on which the Share Options were granted on (i) 4 July 2008, i.e. on 3 July 2008 was HKD5.05, (ii) 10 June 2011, i.e. on 9 June 2011 was HKD11.02, and pursuant to the New Share Option Scheme on 31 May 2012, i.e. on 30 May 2012 was HKD9.14.

Note 3: The option period for the Share Options granted on 4 July 2008 is for five years four months and eight days and such Share Options vested in tranches beginning on 1 February 2010 as to 50%, the remainder vesting on 1 February 2011. The option period for the Share Options granted on 10 June 2011 is for five years five months and two days and such Share Options vested in tranches beginning on 1 February 2012 as up to 30%, up to a further 30% vesting on 1 February 2013, and the remainder vesting on 1 February 2014. The option period for the Share Options granted on 31 May 2012 is for four years eleven months and thirty days and such Share Options will vest in tranches beginning on 30 May 2013 as up to 30%, up to a further 30% vesting on 30 May 2014, and the remainder vesting on 30 May 2015.

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

Note 5: Spouse of Mr. Zhao, and an advisor of the Group.

Note 6: The weighted average closing price of each Share immediately before the dates on which the Share Options were exercised during the Review Year is HKD8.94.

During the Review Year, 826,000 Share Options have been exercised by persons who are not Directors. 3,700,000 Share Options lapsed due to resignations of persons who are not Directors.

Apart from the Share Option Schemes as disclosed above, no option was granted, exercised, cancelled or lapsed during the Review Year.

Particulars of the Company's Share Option Schemes are set out in note 36 to the consolidated financial statements.

DIRECTORS' RIGHTS IN PURCHASING SHARES OR DEBENTURE

Save as disclosed in this annual report, at no time during the Review Year was the Company, its holding company or its subsidiaries a party to any arrangements which enabled the Directors to acquire benefits by means of acquisition of Shares in or debenture of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries, the controlling shareholder of the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during the Review Year.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Review Year.

SUBSTANTIAL SHAREHOLDERS

(a) Interests or short positions in the Company

As at 31 December 2012, the interests or short positions of substantial shareholders, other than the Directors or the 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 SFO are as follows:

Name of Substantial Shareholder	**Capacity**	**Long/ Short Position**	**Number of Shares**	**Percentage of the Company's Issued Share Capital** (Note 1)
Wei Ching Lien	Interest of spouse	Long position	436,664,000 (Note 2)	40.53%
Linkfair Investments Limited	Beneficial owner	Long position	436,664,000 (Note 3)	40.53%
The Capital Group Companies, Inc.	Interest of controlled corporations	Long position	126,844,000 (Note 4)	11.77%
Commonwealth Bank of Australia	Interest of controlled corporations	Long position	80,296,000 (Note 5)	7.45%
Matthews International Capital Management, LLC	Investment manager	Long position	64,795,000	6.01%
Invesco Hong Kong Limited (in its capacity as manager/advisor of various accounts)	Investment manager	Long position	53,968,000	5.01%

Note 1: Percentages shown are that as recorded in the Section 352 SFO register kept by the Company. As at 31 December 2012, the total issued share capital of the Company was 1,077,473,000 Shares.

Note 2: As at 31 December 2012, Linkfair was beneficially interested in 436,664,000 Shares. Linkfair was wholly-owned by Mr. Chin and he was therefore deemed to be interested in the entire 436,664,000 Shares held by Linkfair. Since Ms. Wei is the spouse of Mr. Chin, Ms. Wei was deemed to be interested in the 436,664,000 Shares in which Mr. Chin was deemed to be interested.

Note 3: As at 31 December 2012, Linkfair, a company wholly-owned by Mr. Chin, was interested in 436,664,000 Shares.

Note 4: As at 31 December 2012, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, The Capital Group Companies, Inc. has 100% control over Capital Group International, Inc. (an entity which is deemed by the SFO to be interested in 71,118,000 Shares in aggregate that are directly held by the 4 entities 100% controlled by it, namely, Capital Guardian Trust Company (9,090,000 Shares), Capital International, Inc. (44,380,000 Shares), Capital International Limited (1,402,000 Shares) and Capital International Sarl (16,246,000 Shares)) and Capital Research and Management Company (an entity which is deemed by the SFO to be interested in 55,726,000 Shares). A previous filing made by Capital Research and Management Company indicating a shareholder's interest of 64,822,000 shares (long position) in the capacity of an investment manager remains in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO as at 31 December 2012.

Note 5: As at 31 December 2012, 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.

(b) Interests or short positions in other members of the Group

Member of the Group	Name of the corporation who directly or indirectly owns 10% or more equity in other members of the Group	Percentage of interest in such member of the Group
Guangzhou Minhui Automobile Parts Co., Ltd.	Sankei Giken Holdings Co., Ltd.	30%
Tianjin Shintai Automotive Parts Co., Ltd.	Aisin Tianjin Body Parts Co., Ltd.	19.8%
Changchun Minth Automotive Parts Co., Ltd.	Changchun Kedi Equipment Technology Co., Ltd.	45%
Minth AAPICO (Thailand) Co., Ltd.	AAPICO Hitech Public Company Limited	40%
Wuhan Minth Nojima Automotive Parts Co., Ltd.	Nojima Seisakusyo Co., Ltd	50%
Wuhan Tokai Minth Automotive Parts Co., Ltd	Tokai Kogyo Co., Ltd	50%

Other than as disclosed above, as at 31 December 2012, the Company had not been acknowledged by any person of 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 Division 2 and Division 3 of Part XV of the SFO).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Review Year, 826,000 Share Options have been exercised by persons who are not directors of the Company. 3,700,000 Share Options lapsed due to resignations of persons who are not directors of the Company.

Except for the above disclosure, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of its listed securities during the Review Year.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

During the Review Year, the following connected transaction and continuing connected transactions have been entered into by the Group. Save as disclosed herein, these transactions complied with Chapter 14A of the Listing Rules requirements in relation to reporting, announcement and/or independent shareholders' approval:

(a) Entering into an equity transfer agreement for the acquisition of Tianjin Minshin Machinery Industrial Co., Ltd. ("Tianjin Minshin")

Cheerplan (China) Investments Co., Ltd. ("Cheerplan (China)"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement ("Equity Transfer Agreement") on 28 September 2012, with Rich Advance Holdings Limited ("Rich Advance") a company wholly-owned by Mr. Chin, the Chairman and executive Director of the Company, to acquire 100% equity interest in Tianjin Minshin for a cash consideration of RMB38,000,000. 50% of the consideration was paid within 5 working days from the effective date of the Equity Transfer Agreement; and the remaining 50% paid within 5 working days from the registration of the transfer of the equity interests of Tianjin Minshin with the relevant authority in the PRC.

Rich Advance is a connected person (as defined under the Listing Rules) of the Company by virtue of it being a company wholly owned by Mr. Chin, an executive Director and the Chairman of the Company. Accordingly, the Equity Transfer Agreement constitutes a connected transaction of the Company.

Pursuant to the Equity Transfer Agreement, Cheerplan (China) agreed to purchase and Rich Advance agreed to sell the entire equity interests of Tianjin Minshin. The Group considers that the acquisition will enable the Group to expand the production base in northern China which will not only increase the Group's economies of scale but also give it proximity to customers in that region.

Further details of the Equity Transfer Agreement are set out in the Company's announcement dated 28 September 2012.

(b) Entering into a sale and purchase agreement with Aisin Tianjin Body Parts Co., Ltd. ("Aisin Tianjin")

An indirect wholly-owned subsidiary of the Company entered into a share transfer agreement in May 2006 with Aisin Tianjin pursuant to which the Group and Aisin Tianjin owned 80% interest and 20% (and later approximately 80.2% and approximately 19.8% respectively subject to a share transfer agreement between the Group and Aisin Tianjin dated 27 April 2009) interest in Tianjin Shintai Automotive Parts Co., Ltd ("Tianjin Shintai") respectively. Aisin Tianjin therefore became a connected person of the Company within the meaning of Listing Rules by virtue of it being a substantial shareholder of one of the subsidiaries of the Company.

Tianjin Shintai and Aisin Tianjin (on behalf of and for itself and/or its subsidiaries) entered into a sale and purchase agreement ("Sale and Purchase Agreement") on 19 July 2006, pursuant to which Tianjin Shintai and/or its affiliates agreed to purchase semi-finished automobile materials from, and sell finished automobile parts to, Aisin Tianjin and/or its affiliates (collectively "Aisin Group"). The specific products would depend on the car models and terms as to quantity, quality and price will be agreed between the parties thereto from time to time under separate specific transactional agreements.

The price of the products supplied under the Sale and Purchase Agreement shall be negotiated by the parties on an arm's length basis by reference to market conditions at the relevant time and if there is no market price for a particular product, an agreed price consisting of the cost incurred in supplying the product plus a reasonable profit. The Sale and Purchase Agreement was for a term from the date that the requisite approval of the Shareholders had been obtained on 31 December 2008 and was capable of automatic renewal for another term of three years unless either party gives three months' termination notice prior to the expiry of the term. The Sale and Purchase Agreement was renewed for a further three years up to and including 31 December 2011 as approved by the independent Shareholders at the extraordinary general meeting of the Company on 26 June 2008. Tianjin Shintai and Aisin Tianjin renewed the Sale and Purchase Agreement on 30 December 2011.

Further details of the Sale and Purchase Agreement and the respective annual caps are set out in the Company's announcements dated 20 July 2006, 26 June 2008 and 30 December 2011 as well as its circulars dated 7 August 2006 and 10 June 2008.

During the Review Year, the cumulative of sales to, and purchase from Aisin Group pursuant to the Sale and Purchase Agreement amounted to approximately RMB123,963,000 and approximately RMB83,012,000 respectively, which did not exceed the reported and announced annual caps of RMB170,000,000 and RMB150,000,000 for the Review Year as approved by the independent Shareholders on 30 December 2011.

(c) Entering into sale, purchase and technology services agreement with Tokai Kogyo

Cheerplan (China), a wholly-owned subsidiary of the Company, has entered into a joint venture agreement with Tokai Kogyo to establish Wuhan Tokai Minth Automotive Parts Co., Ltd. ("Wuhan Tokai"). As Tokai Kogyo holds 50% equity interest in Wuhan Tokai, it became a connected person of the Company by virtue of its substantial shareholding in Wuhan Tokai. Tokai Kogyo and its subsidiaries and associates ("Tokai Kogyo Group") shall also become a connected person of the Company. Accordingly, the pre-existing and ongoing transactions between the Tokai Kogyo Group and the Group shall become continuing connected transactions for the Company under the Listing Rules.

The Group has, through its wholly-owned subsidiaries Guangzhou Minhui, Wuhan Minhui, Jiaxing Minhui and Ningbo Shintai, entered into four sale and purchase agreements ("Tokai Agreements") with Tokai Kogyo Group on 1 January 2011 respectively. The terms of Tokai Agreements are for two or three years. In accordance with 14A.41 of the Listing Rules, upon any variation or renewal of such pre-existing and ongoing transaction shall comply with all applicable reporting, annual review, disclosure and independent shareholder's approval requirement. Further details of the agreements are set out in the Company's announcement dated 28 September 2011.

During the Review Year, the cumulative sales to Tokai Kogyo Group and purchase from Tokai Kogyo Group by the Group pursuant to the Tokai Agreements amounted to approximately RMB78,627,000 and RMB93,739,000 respectively. The cumulative consideration of technology service for the above-mentioned transactions between the Group and Tokai Kogyo amounted to approximately RMB1,253,000.

The INEDs reviewed the continuing connected transactions set out herein and in note 38 to the consolidated financial statements, and confirmed that, during the year ended 31 December 2012, such transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms, or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company also confirmed that the continuing connected transactions:

(i) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(iii) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) with respect to the aggregate amount of the continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the relevant announcements of the Company in respect of each of the disclosed continuing connected transactions.

Further details of the transactions and relationships of the connected parties are also set out in note 38 to the consolidated financial statements.

REMUNERATION POLICY

Remuneration policy of the Group is set by the Remuneration Committee, making reference to legal framework, market condition and performance of the Group and individual staff. The remuneration policy and remuneration packages of the Directors and senior management staff of the Group are reviewed by the Remuneration Committee, making reference to the prevailing market practice, his/her duties and responsibilities within the Group and his/her contribution of the Group.

Mr. Chin, the executive Director has agreed to waive his remuneration since 1 March 2007.

The Company has adopted a Share Option Scheme and a New Share Option Scheme as an incentive to Directors and eligible employees, details of the Share Option Schemes are set out on pages 25 to 27 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the Code of Corporate Governance Practices ("Corporate Governance Practices") (effective until 31 March 2012) and the Code (effective from 1 April 2012) set out in Appendix 14 of the Listing Rules. Save as disclosed below, none of the Directors is aware of any information that would reasonably indicate that the Company did not, at any time during the corresponding periods of the Review Year, comply with the Corporate Governance Practices and the Code.

Under the revised code provision E.1.2, the chairman of the board should attend the AGM and invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. Further Dr. Wang, Mr. Zhang, and Mr. Wu, all being independent non-executive directors and members of Audit Committee, Nomination Committee and the Remuneration Committee, were invited to attend the 2012 AGM to answer any question from the shareholders concerning the Company's corporate governance. As provided for in the revised code provision A.6.7, INDEs and other NEDs should attend the AGM and develop a balanced understanding of the views of shareholders. One non-executive Director, Mr. He was unable to attend the 2012 AGM due to his business arrangements. Three INEDs, Dr. Wang, Mr. Zhang and Mr. Wu were unable to attend the 2012 AGM due to prior commitments.

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company's code of conduct and the code for dealing in the Company's securities by all Directors. Having made specific enquiry to all Directors, the Directors confirmed that they have strictly complied with the standards stipulated under the Model Code during the Review Year.

MATERIAL LITIGATION AND ARBITRATION

The Group did not engage in any litigation or arbitration of material importance during the year ended 31 December 2012.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed above, no other significant events occurred after the reporting period which would have a material adverse impact on the financial position of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

AUDITOR

A resolution will be proposed at the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board
Minth Group Limited
Chin Jong Hwa
Chairman

Hong Kong,19 March 2013

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF MINTH GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Minth Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 120, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTES	2012 RMB'000	2011 RMB'000
Turnover	6	**4,329,906**	3,889,405
Cost of sales		**(2,895,867)**	(2,526,801)
Gross profit		**1,434,039**	1,362,604
Investment income	7	**67,838**	73,712
Other income	8	**106,019**	133,239
Other gains and losses	9	**117,397**	6,382
Distribution and selling expenses		**(130,115)**	(130,942)
Administrative expenses		**(347,155)**	(310,262)
Research expenditure		**(231,840)**	(209,377)
Interest on borrowings wholly repayable within five years		**(26,737)**	(15,673)
Share of profits of jointly controlled entities	19	**24,703**	18,938
Share of profits of associates	20	**29,927**	34,320
Profit before tax		**1,044,076**	962,941
Income tax expense	10	**(147,695)**	(136,011)
Profit for the year	11	**896,381**	826,930
Other comprehensive income (expense)			
Exchange differences arising on translation		**3,624**	(24,162)
Fair value gain (loss) on available-for-sale financial assets		**32,653**	(16,157)
Income tax relating to fair value change of available-for-sale financial assets		**(4,846)**	2,019
Other comprehensive income (expense) for the year (net of tax)		**31,431**	(38,300)
Total comprehensive income for the year		**927,812**	788,630
Profit for the year attributable to:			
Owners of the Company		**841,159**	787,318
Non-controlling interests		**55,222**	39,612
		896,381	826,930
Total comprehensive income attributable to:			
Owners of the Company		**872,314**	751,002
Non-controlling interests		**55,498**	37,628
		927,812	788,630
Earnings per share	14		
Basic		**RMB0.781**	RMB0.732
Diluted		**RMB0.778**	RMB0.727

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

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	NOTES	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	15	**1,889,471**	1,440,536
Prepaid lease payments	16	**457,238**	405,935
Goodwill	17	**15,276**	15,276
Other intangible assets	18	**33,239**	32,527
Interests in jointly controlled entities	19	**101,512**	76,919
Interests in associates	20	**132,116**	107,958
Available-for-sale investments	21	**190,134**	157,481
Loan receivables	22	**–**	15,520
Deferred tax assets	23	**51,442**	39,225
		2,870,428	2,291,377
Current assets			
Prepaid lease payments	16	**11,046**	8,253
Inventories	24	**697,089**	515,353
Loan receivables	22	**26,697**	38,873
Trade and other receivables	25	**1,322,783**	1,134,866
Derivative financial assets	26	**31,306**	14,993
Pledged bank deposits	27	**285,060**	37,477
Bank balances and cash	27	**4,130,051**	3,791,701
		6,504,032	5,541,516
Current liabilities			
Trade and other payables	28	**836,729**	656,695
Tax liabilities		**53,778**	75,832
Borrowings	29	**1,271,398**	825,824
Derivative financial liabilities	26	**4,670**	1,103
		2,166,575	1,559,454
Net current assets		**4,337,457**	3,982,062
Total assets less current liabilities		**7,207,885**	6,273,439

	NOTES	2012 RMB'000	2011 RMB'000
Capital and reserves			
Share capital	30	**109,206**	109,139
Share premium and reserves		**6,664,340**	5,978,086
Equity attributable to owners of the Company		**6,773,546**	6,087,225
Non-controlling interests		**208,248**	155,248
Total equity		**6,981,794**	6,242,473
Non-current liabilities			
Deferred tax liabilities	23	**39,509**	30,966
Borrowings	29	**186,582**	–
		226,091	30,966
		7,207,885	6,273,439

The consolidated financial statements on pages 36 to 120 were approved and authorised for issue by the Board of Directors on 19 March 2013 and are signed on its behalf by:

Shi Jian Hui
DIRECTOR

Zhao Feng
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	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	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Share options reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2011	108,904	3,040,032	276,199	28,772	100,065	11,159	12,304	(43,758)	11,334	1,976,265	5,521,276	111,717	5,632,993
Profit for the year	–	–	–	–	–	–	–	–	–	787,318	787,318	39,612	826,930
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	(22,178)	–	–	(22,178)	(1,984)	(24,162)
Fair value loss on available-for-sale financial assets	–	–	–	–	–	–	(16,157)	–	–	–	(16,157)	–	(16,157)
Income tax relating to components of other comprehensive income	–	–	–	–	–	–	2,019	–	–	–	2,019	–	2,019
Total comprehensive income for the year	–	–	–	–	–	–	(14,138)	(22,178)	–	787,318	751,002	37,628	788,630
Recognition of share-based payments	–	–	–	–	–	–	–	–	41,004	–	41,004	–	41,004
Transfer to reserve fund	–	–	–	–	16,157	–	–	–	–	(16,157)	–	–	–
Transfer to other reserve for share options forfeited after the vesting date	–	–	–	57	–	–	–	–	(57)	–	–	–	–
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	42,976	42,976
Dividends recognised as distribution (note 13)	–	–	–	–	–	–	–	–	–	(238,583)	(238,583)	–	(238,583)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(37,073)	(37,073)
Exercise of share options	235	14,376	–	–	–	–	–	–	(2,085)	–	12,526	–	12,526
At 31 December 2011	109,139	3,054,408	276,199	28,829	116,222	11,159	(1,834)	(65,936)	50,196	2,508,843	6,087,225	155,248	6,242,473

	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	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Share options reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Profit for the year	–	–	–	–	–	–	–	–	–	841,159	841,159	55,222	896,381
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	3,348	–	–	3,348	276	3,624
Fair value gain on available-for-sale financial assets	–	–	–	–	–	–	32,653	–	–	–	32,653	–	32,653
Income tax relating to components of other comprehensive income	–	–	–	–	–	–	(4,846)	–	–	–	(4,846)	–	(4,846)
Total comprehensive income for the year	–	–	–	–	–	–	27,807	3,348	–	841,159	872,314	55,498	927,812
Recognition of share-based payments	–	–	–	–	–	–	–	–	40,751	–	40,751	–	40,751
Acquisition of equity interest from a non-controlling shareholder (note 31)	–	–	–	7,696	–	–	–	–	–	–	7,696	(23,004)	(15,308)
Transfer to reserve fund	–	–	–	–	1,242	1,961	–	–	–	(3,203)	–	–	–
Transfer to other reserve for share options forfeited after the vesting date	–	–	–	1,687	–	–	–	–	(1,687)	–	–	–	–
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	53,511	53,511
Dividends recognised as distribution (note 13)	–	–	–	–	–	–	–	–	–	(238,027)	(238,027)	–	(238,027)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(33,005)	(33,005)
Exercise of share options	67	4,138	–	–	–	–	–	–	(618)	–	3,587	–	3,587
At 31 December 2012	109,206	3,058,546	276,199	38,212	117,464	13,120	25,973	(62,588)	88,642	3,108,772	6,773,546	208,248	6,981,794

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) revaluation reserve recognised upon acquisition of businesses from interests in jointly controlled entities and (iv) reserve transferred from share options reserve for share options forfeited after the vesting date.

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Operating activities		
Profit before tax	**1,044,076**	962,941
Adjustments for:		
Finance costs	**26,737**	15,673
Interest income	**(62,736)**	(69,971)
Dividends from available-for-sale investments	**(5,102)**	(3,741)
Share of profits of associates	**(29,927)**	(34,320)
Share of profits of jointly controlled entities	**(24,703)**	(18,938)
Depreciation of property, plant and equipment	**155,739**	123,183
Amortisation of other intangible assets	**11,226**	10,203
Release of prepaid lease payments	**9,792**	7,434
Share-based payment expense	**40,751**	41,004
Gain on fair value changes of financial assets designated at financial assets at fair value through profit or loss ("FVTPL")	**(62,542)**	(3,949)
Gain on fair value changes of derivative financial instruments	**(57,484)**	(20,104)
Loss on disposal of property, plant and equipment	**1,179**	670
Allowance for obsolete inventories	**1,788**	2,413
Allowance for bad and doubtful debts	**17,257**	3,013
Net foreign exchange gains	**(22,154)**	(19,233)
Impairment loss recognised in respect of property, plant and equipment	**2,585**	–
Operating cash flows before movements in working capital	**1,046,482**	996,278
Increase in inventories	**(183,524)**	(65,172)
Increase in trade and other receivables	**(244,506)**	(124,881)
Increase in trade and other payables	**161,667**	78,155
Cash generated from operations	**780,119**	884,380
Income taxes paid	**(178,269)**	(120,446)
Net cash from operating activities	**601,850**	763,934

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Investing activities		
Proceeds on redemption of other financial assets and derivative financial instruments	**4,842,807**	3,137,755
Withdrawal of pledged bank deposits	**10,806**	115,657
Interest received	**63,406**	69,381
Dividends received from associates	**35,504**	41,133
Dividends received from available-for-sale investments	**5,102**	3,741
Repayment from jointly controlled entities and associates	**27,639**	16,068
Refundable guarantee deposit received for acquisition of land use rights	**20,000**	21,057
Proceeds on disposal of property, plant and equipment	**23,250**	2,250
Proceeds on disposal of other intangible assets	**–**	1,256
Investment in other financial assets and derivative financial instruments	**(4,734,758)**	(3,111,727)
Purchases of property, plant and equipment	**(594,296)**	(350,146)
Placement of pledged bank deposits	**(258,389)**	(90,671)
Prepaid rentals for lease premium for land	**(47,460)**	(108,228)
Net cash outflow arising on acquisition of a subsidiary (note 32)	**(36,644)**	–
Purchases of other intangible assets	**(11,938)**	(24,327)
Addition of investment in associates	**(10,403)**	(6,065)
Refundable guarantee deposit paid for acquisition of land use rights	**–**	(20,000)
Addition of loan receivables	**–**	(11,658)
Net cash used in investing activities	**(665,374)**	(314,524)
Financing activities		
Repayment of bank loans	**(2,041,933)**	(2,367,738)
Dividends paid to owners of the Company	**(238,027)**	(238,583)
Dividends paid to non-controlling interests	**(33,005)**	(37,725)
Interest paid	**(26,737)**	(15,673)
Acquisition of equity interest from a non-controlling shareholder	**(15,308)**	–
New bank loans raised	**2,696,229**	2,806,290
Capital contributions from non-controlling interests	**53,511**	32,537
Proceeds from exercise of share options	**3,587**	12,526
Net cash from financing activities	**398,317**	191,634
Net increase in cash and cash equivalents	**334,793**	641,044
Cash and cash equivalents at beginning of the year	**3,791,701**	3,158,225
Effect of foreign exchange rate changes	**3,557**	(7,568)
Cash and cash equivalents at the end of the year	**4,130,051**	3,791,701
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**4,130,051**	3,791,701

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. The principal activities of the Company's subsidiaries are set out in note 39.

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 revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Asset; and
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets.

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009–2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 1 *Presentation of Financial Statements*, the amendments to HKAS 16 *Property, Plant and Equipment* and the amendments to HKAS 32 *Financial Instruments: Presentation*.

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS *12 Income Taxes*. The directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 will have no effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at 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 addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 recognition 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as 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 2015, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2015 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.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The Directors of the Company anticipate that these five standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013. The Directors of the Company is in the progress of assessing the impact for the application of the new standards.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (Continued)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Jointly controlled entities (Continued)

The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a jointly controlled entity of the Group, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of the interest in the jointly controlled entity that are not related to the Group.

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress and freehold land) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress and freehold land over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is carried at cost less any recognised impairment loss.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Leasing

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

The Group as Lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease.

The Group as Lessee

Operating leases payments are recognised as an expense on a straight line basis over the term of the relevant lease, except another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Research expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on tangible and intangible assets other than financial assets and goodwill (see the accounting policy in respect of goodwill above and financial assets below)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets ("AFS"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent those designated as at FVTPL on initial recognition.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as AFS and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

For an AFS equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivable and loan receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Impairment losses on AFS equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For AFS debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that from an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including borrowings, trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to other reserve.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives, residual values and impairment of property, plant and equipment

The directors of the Company determine the residual values, useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of plant and equipment of similar nature and functions. In addition, the directors of the Company assess impairment whenever events or changes in circumstances and technical innovation of automobile products indicate that the carrying amount of an asset may not be recoverable. As at 31 December 2012, the carrying amount of the Group's property, plant and equipment is approximately RMB1,889,471,000 (net of impairment loss of RMB14,034,000) (31 December 2011: carrying amount of RMB1,440,536,000, net of impairment loss of RMB11,449,000).

Impairment of loan receivables

Impairment loss for loan receivables is made when there is objective evidence that the recoverability of the receivables becomes doubtful. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2012, the carrying amount of loan receivables is RMB26,697,000 (31 December 2011: RMB54,393,000). The directors of the Company are of the opinion that the loan receivables are still recoverable and no impairment is considered at the end of each reporting period.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimated impairment of trade receivables

When there is objective evidence of impairment loss of trade receivables, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2012, the carrying amount of trade receivable is RMB948,918,000 (net of allowance for doubtful debts of RMB16,500,000) (31 December 2011: carrying amount of RMB874,981,000, net of allowance for doubtful debts of RMB6,142,000).

Allowances for inventories

The management of the Group reviews the aging of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production nor saleable in the market. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. As at 31 December 2012, the carrying amount of inventories is RMB697,089,000 (net of allowance for inventories of RMB16,197,000) (31 December 2011: carrying amount of RMB515,353,000, net of allowance for inventories of RMB15,361,000).

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 **RMB'000**	2011 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**5,549,859**	4,895,121
Available-for-sale investments	**190,134**	157,481
Derivative financial assets	**31,306**	14,993
Financial liabilities:		
Amortised cost	**2,280,253**	1,462,613
Derivative financial liabilities	**4,670**	1,103

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, pledged bank deposits, loan receivables, available-for-sale investments, derivative financial assets, derivative financial liabilities, borrowings and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) ***Currency risk***

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

(1) The Company and certain subsidiaries have bank balances denominated in foreign currencies.

(2) Certain subsidiaries of the Group also have foreign currency sales and purchases and certain trade receivables and payables of these subsidiaries are denominated in foreign currencies.

(3) The Company and certain subsidiaries also have borrowings denominated in foreign currencies.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the end of reporting period are as follows:

	Liabilities		Assets	
	2012 RMB'000	2011 RMB'000	**2012 RMB'000**	2011 RMB'000
United States Dollars ("US$")	**755,072**	450,816	**537,663**	388,288
Euro ("EURO")	**1,832**	776	**50,838**	48,924
Japanese Yen ("JPY")	**170,544**	219,039	**21,618**	23,445
Hong Kong Dollars ("HK$")	**319,943**	259,850	**20,843**	19,878
Thai Baht ("THB")	**–**	–	**22,017**	–
	1,247,391	930,481	**652,979**	480,535

The Group entered into certain foreign exchange forward contracts to mitigate its foreign currency exposure.

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% (2011: 5%) increase and decrease in functional currency against the relevant foreign currencies. 5% (2011: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes (i) outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2011: 5%) change in foreign currency rates; (ii) outstanding foreign currency forward contracts and adjusts for a 5% (2011: 5%) change in foreign currency rates at the year end; and (iii) outstanding swap derivative contracts and adjusts for a 5% change in foreign currency rates at the year end. A positive number below indicates an increase in post-tax profit where functional currency strengthens 5% (2011: 5%) against the relevant currency while a negative number indicates a decrease in post-tax profit.

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

	2012 RMB'000	2011 RMB'000
If RMB strengthens against US$	75,172	66,647
If RMB weakens against US$	(75,172)	(76,117)
If RMB strengthens against EURO	(2,100)	(4,222)
If RMB weakens against EURO	2,100	2,001
If RMB strengthens against JPY	6,393	8,399
If RMB weakens against JPY	(6,393)	(8,399)
If RMB strengthens against HK$	12,839	10,304
If RMB weakens against HK$	(12,839)	(10,304)
If RMB strengthens against THB	(945)	–
If RMB weakens against THB	945	–

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables and bank borrowings (see notes 22 and 29).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, variable-rate pledged bank deposits, variable-rate borrowings and loan receivables (see notes 22, 27 and 29).

The Group entered into certain interest rate swaps to minimise its exposure to interest rate risk. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate financial instruments (including bank balances, pledged bank deposits, loan receivables and borrowings) at the end of the reporting period. The analysis is prepared assuming the balances outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis points (2011: 10 basis points) increase or decrease on variable-rate bank balances and variable-rate pledged bank deposits and 50 basis points (2011: 50 basis points) increase or decrease on variable-rate loan receivables and borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis (Continued)

If interest rates on variable-rate bank balances and variable-rate pledged bank deposits had been 10 basis points (2011: 10 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit would increase/decrease approximately by RMB1,552,000 (2011: increase/decrease approximately by RMB901,000). If interest rates on loan receivables and borrowings had been 50 basis points (2011: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit would decrease/increase approximately by RMB4,862,000 (2011: decrease/increase approximately by RMB3,423,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances, loan receivables and borrowings.

(iii) Price risk

The Group is exposed to equity price risk through its investments in listed equity securities.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. If the prices of the respective equity instruments had been 5% (2011: 5%) higher, the investment revaluation reserve would increase by RMB8,081,000 (2011: RMB6,890,000). If the prices of the equity instruments had been 5% (2011: 5%) lower, the investment revaluation reserve would decrease by the same amount and the Group would consider any potential impairment effect.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the year end exposure does not reflect the exposure during the year.

Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are state-owned banks in the People's Republic of China (the "PRC") or those banks with good reputation.

The Group has concentration of credit risk on trade receivables and loan receivables. At 31 December 2012, the Group's ten largest customers accounted for approximately 37% (31 December 2011: 45%) of the total trade receivables. As at 31 December 2012, the Group's loan receivables were from a jointly controlled entity of the Group.

The management of the Group has entered into some credit insurance arrangements for these major customers with certain insurance institutions. The Group reviews recoverable amount of individual jointly controlled entity at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, if any. In these regards, the directors of the Company consider that the credit risk of the Group has been significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 69% (2011: 74%) of the total trade receivables as at 31 December 2012.

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

The Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period. In addition, the following tables detail the Group's liquidity analysis for its derivative instruments. The tables have been drawn up based on the undiscounted (inflows) and outflows on those derivatives.

Liquidity tables

	Weighted average interest rate %	Repayable on demand or less than three months RMB'000	Three months to six months RMB'000	Six months to one year RMB'000	More than one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2012							
Non-derivative financial liabilities							
Trade and other payables	–	822,273	–	–	–	822,273	822,273
Borrowings	2.96	963,917	313,845	2,148	190,399	1,470,309	1,457,980
		1,786,190	313,845	2,148	190,399	2,292,582	2,280,253
Derivative-net settlement	–						
Foreign currency forward contracts							
– net inflow		(1,286)	(21,230)	(7,182)	(1,070)	(30,768)	(30,768)
Swap derivative contracts							
– net inflow		(538)	–	–	–	(538)	(538)
– net outflow		–	38	2,915	–	2,953	2,953
Interest rate swaps							
– net outflow		–	–	–	1,717	1,717	1,717
		(1,824)	(21,192)	(4,267)	647	(26,636)	(26,636)

5. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

	Weighted average interest rate %	Repayable on demand or less than three months RMB'000	Three months to six months RMB'000	Six months to one year RMB'000	More than one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2011							
Non-derivative financial liabilities							
Trade and other payables	–	636,789	–	–	–	636,789	636,789
Borrowings	2.34	315,129	205,471	312,691	–	833,291	825,824
		951,918	205,471	312,691	–	1,470,080	1,462,613
Derivative-gross settlement	–						
Foreign currency forward contracts							
–inflow		(19,522)	–	–	–	(19,522)	(19,522)
–outflow		18,918	–	–	–	18,918	18,918
		(604)	–	–	–	(604)	(604)
Derivative-net settlement	–						
Swap derivative contracts							
– net inflow		–	(495)	(1,604)	–	(2,099)	(2,099)
Interest rate swaps							
– net outflow		–	–	–	757	757	757
		–	(495)	(1,604)	757	(1,342)	(1,342)

Bank loans with a repayment on demand clause are included in the "repayable on demand" time band in the above maturity analysis. As at 31 December 2012, the aggregate undiscounted principal amounts of these bank loans amounted to RMB243,255,000 (2011: RMB243,210,000). Taking into account the Group's financial position, the directors did not believe that it was probable that the bank will exercise the discretionary right to demand immediate repayment. The directors believe that such bank loans will be repaid within one year after the reporting date in accordance with the scheduled repayment date set out in the loan agreement. At that time, the aggregate principal and interest cash outflows would amount to RMB283,061,000 (2011: RMB253,620,000).

The amounts included above for reliable rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

5. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of available-for-sale financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.

The fair value of derivative instruments is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31/12/2012			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial instruments at FVTPL				
Derivative financial assets	–	31,306	–	31,306
Derivative financial liabilities	–	4,670	–	4,670
Available-for-sale financial assets				
Listed equity securities	190,134	–	–	190,134

5. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value (Continued)

Fair value measurements recognised in the consolidated statement of financial position (Continued)

	31/12/2011			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial instruments at FVTPL				
Derivative financial assets	–	14,993	–	14,993
Derivative financial liabilities	–	1,103	–	1,103
Available-for-sale financial assets				
Listed equity securities	157,481	–	–	157,481

There were no transfers between Level 1 and 2 in the current and prior years.

(d) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 29 net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. 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 location. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

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

For the year ended 31 December 2012

	PRC RMB'000	North America RMB'000	Europe RMB'000	Asia Pacific RMB'000	Consolidated RMB'000
Revenue					
External sales	3,019,093	704,998	240,383	365,432	4,329,906
Segment profit	966,683	250,913	82,379	116,807	1,416,782
Investment income					67,838
Other unallocated income, gains and losses					223,416
Unallocated expenses					(691,853)
Interest on borrowings wholly repayable within five years					(26,737)
Share of profits of jointly controlled entities					24,703
Share of profits of associates					29,927
Profit before tax					1,044,076
Income tax expense					(147,695)
Profit for the year					896,381

6. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (Continued)

For the year ended 31 December 2011

	PRC RMB'000	North America RMB'000	Europe RMB'000	Asia Pacific RMB'000	Consolidated RMB'000
Revenue					
External sales	2,857,134	556,776	176,112	299,383	3,889,405
Segment profit	990,013	200,396	71,575	97,607	1,359,591
Investment income					73,712
Other unallocated income, gains and losses					139,621
Unallocated expenses					(647,568)
Interest on borrowings wholly repayable within five years					(15,673)
Share of profits of jointly controlled entities					18,938
Share of profits of associates					34,320
Profit before tax					962,941
Income tax expense					(136,011)
Profit for the year					826,930

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. 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 the Board of Directors for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

The following table, which is reviewed by the Board of Directors, provides an analysis of the Group's trade receivables and bill receivables by geographical markets based on location of customers, irrespective of the origin of the goods:

Segment assets

	2012 RMB'000	2012 %	2011 RMB'000	2011 %
Trade and bill receivables				
The PRC	**715,398**	**7.5**	678,124	8.7
Asia Pacific	**89,410**	**1.0**	68,253	0.9
North America	**165,430**	**1.8**	109,800	1.4
Europe	**62,359**	**0.7**	49,605	0.6
Trade and bill receivables total	**1,032,597**	**11.0**	905,782	11.6
Unallocated assets	**8,341,863**	**89.0**	6,927,111	88.4
Total assets	**9,374,460**	**100.0**	7,832,893	100.0

The Board of Directors does not review segment liabilities as the production and the purchase of the Group are located in the PRC. Therefore no further analysis of segment liabilities is presented.

Revenue from major product

The Group's operation is engaged in the manufacturing and sales of automobile body parts.

Geographical information

The Group's operations are located in the PRC, United States of America, Japan, Thailand, Germany and Mexico. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Non-current assets	
	2012 RMB'000	2011 RMB'000
PRC	**2,273,853**	1,814,282
Other countries	**354,999**	264,869
	2,628,852	2,079,151

Note: Non-current assets excluded financial instruments and deferred tax assets.

6. SEGMENT INFORMATION (CONTINUED)

Information about major customers

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

	For the year ended 31 December	
	2012	2011
	RMB'000	RMB'000
Customer A	**470,491**	575,773

The customer above is located in the PRC.

7. INVESTMENT INCOME

	2012	2011
	RMB'000	RMB'000
Interest on bank deposits	**61,574**	68,041
Interest on loan receivables	**1,162**	1,930
Dividends from listed equity securities	**5,102**	3,741
Total investment income	**67,838**	73,712

8. OTHER INCOME

	2012 RMB'000	2011 RMB'000
Government grants (note)	**55,121**	74,671
Service and consultation income	**9,756**	27,677
Sales of scrap and raw materials	**22,356**	17,767
Rental income	**5,928**	4,612
Others	**12,858**	8,512
Total	**106,019**	133,239

Note: The amounts represent the various incentive subsidies granted by the PRC local government authorities to the group entities for incentives of the group entities with good performance in quality control or environmental protection, or involving in hi-tech know-how industry and product development activities. The government grants were unconditional and have been approved by and received from the PRC local government authorities.

9. OTHER GAINS AND LOSSES

	2012 RMB'000	2011 RMB'000
Net foreign exchange gain (loss)	**18,392**	(13,988)
Allowance for bad and doubtful debts	**(17,257)**	(3,013)
Impairment for property, plant and equipment (note 15)	**(2,585)**	–
Loss on disposal of property, plant and equipment	**(1,179)**	(670)
Gain on changes in fair value of derivative financial instruments	**57,484**	20,104
Gain on fair value changes of financial assets designated as at FVTPL	**62,542**	3,949
Total	**117,397**	6,382

10. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
Current tax:		
Hong Kong	–	–
PRC Enterprise Income Tax	151,660	132,159
Other jurisdictions	1,182	100
Withholding tax paid	7,938	2,057
	160,780	134,316
Over provision in prior years:		
PRC Enterprise Income Tax	(4,364)	(3,338)
Other jurisdictions	(201)	–
	(4,565)	(3,338)
Deferred tax (note 23)		
Current year	(7,854)	3,988
Attributable to a change in tax rate	(666)	1,045
	(8,520)	5,033
	147,695	136,011

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

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

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

10. INCOME TAX EXPENSE (CONTINUED)

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

(1) The tax exemption and 50% deduction from foreign enterprise income tax for the foreign investment enterprises is still applicable until the end of the five-year transitional period in 2012 under the EIT Law.

(2) Those entities that previously enjoyed tax incentive rate at 15% would increase their applicable tax rate progressively to 25% over a five-year transitional period ended in 2012.

(3) Those entities which are located in specific provinces of western China and engaged in specific encouraged industries still enjoy a preferential tax rate of 15% under EIT Law.

(4) Those entities which are qualified as "Hi-New Tech Enterprises" would enjoy a preferential tax rate of 15% under EIT Law and subject to renewal each year or every three years.

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 in respect of the undistributed profits attributable to the Group as earned by the Group's PRC subsidiaries from 1 January 2008 onward 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.

The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled under the EIT Law and other related tax regulations in other jurisdictions.

10. INCOME TAX EXPENSE (CONTINUED)

The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2012 RMB'000	2012 %	2011 RMB'000	2011 %
Profit before tax	1,044,076		962,941	
Tax at the applicable income tax rate of 25% (2011: 25%)	261,019	25.0	240,735	25.0
Tax effect of share of profits of associates and jointly controlled entities	(13,658)	(1.3)	(13,315)	(1.4)
Tax effect of expenses not deductible for tax purpose	8,915	0.8	19,600	2.0
Tax effect of tax losses not recognised as deferred tax assets	5,978	0.6	9,326	1.0
Tax effect of utilisation of tax losses previously not recognised as deferred tax assets	(5,638)	(0.5)	(3,537)	(0.4)
Effect of tax concessions granted to PRC subsidiaries	(105,932)	(10.1)	(105,090)	(10.9)
Withholding tax provision on the profit of PRC subsidiaries	14,251	1.3	7,748	0.8
Tax effect of different tax rates of subsidiaries	(21,001)	(2.1)	(27,138)	(2.8)
Deferred tax charged at different tax rates	8,992	0.9	9,975	1.0
(Increase) decrease in opening deferred tax assets resulting from a increase (decrease) in applicable tax rate	(666)	(0.1)	1,045	0.1
Over provision in respect of prior years	(4,565)	(0.4)	(3,338)	(0.3)
Tax charge and effective tax rate for the year	147,695	14.1	136,011	14.1

11. PROFIT FOR THE YEAR

	2012 RMB'000	2011 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Cost of inventories as recognised (note i)	**2,895,867**	2,526,801
Directors' remuneration (note 12)	**10,571**	10,410
Other staff's retirement benefits scheme contributions	**25,249**	22,398
Other staff's share-based payments	**34,818**	34,392
Other staff costs	**585,776**	458,444
Total staff costs	**656,414**	525,644
Less: Staff costs included in research expenditure	**(120,629)**	(88,505)
	535,785	437,139
Auditors' remuneration	**6,750**	5,258
Depreciation for property, plant and equipment	**155,739**	123,183
Less: Depreciation included in research expenditure	**(11,223)**	(9,437)
	144,516	113,746
Amortisation of other intangible assets (included in cost of sales, administrative expenses and research expenditure)	**11,226**	10,203
Release of prepaid lease payments	**9,792**	7,434
Operating lease rentals of buildings	**26,635**	22,558
Research expenditure (note ii)	**231,840**	209,377
Rental income	**(9,286)**	(6,884)
Less: Outgoings	**3,358**	2,272
	(5,928)	(4,612)

Notes:

(i) Included in this amount is the allowance for inventories amounting to RMB1,788,000 (2011: RMB2,413,000).

(ii) The amount represents expenses incurred in the research phase for the design of new moulds or products of the Group.

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

The emoluments paid or payable to each of the eleven (2011: eleven) directors and the Chief Executive, of which two (2011: nil) were resigned during the year were as follows:

	Fees	Others emoluments			Total
		Salaries and other benefits	Share-based payments	Retirement benefits scheme contributions	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2012					
Executive directors:					
Chin Jong Hwa ("Mr. Chin")	–	–	–	–	–
Shi Jian Hui ("Mr. Shi") (note i)	–	1,108	2,157	3	3,268
Zhao Feng	–	1,091	1,079	7	2,177
Kawaguchi Kiyoshi	–	1,714	539	–	2,253
Mu Wei Zhong (note iii)	–	8	270	–	278
	–	3,921	4,045	10	7,976
Non-executive directors:					
Mikio Natsume (note ii)	30	–	–	–	30
Yu Zheng	146	–	–	–	146
He Dong Han	122	–	1,079	–	1,201
Mu Wei Zhong (note iii)	43	–	809	–	852
	341	–	1,888	–	2,229
Independent non-executive directors:					
Wang Ching	122	–	–	–	122
Zhang Liren	122	–	–	–	122
Wu Fred Fong	122	–	–	–	122
	366	–	–	–	366

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' and Chief Executive's emoluments (Continued)

		Others emoluments			
	Fees RMB'000	Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2011					
Executive directors:					
Mr. Chin	–	–	–	–	–
Mr. Shi (note i)	–	849	2,406	2	3,257
Mu Wei Zhong	–	308	1,205	2	1,515
Zhao Feng	–	738	1,205	6	1,949
Kawaguchi Kiyoshi	–	1,172	599	–	1,771
	–	3,067	5,415	10	8,492
Non-executive directors:					
Mikio Natsume	124	–	–	–	124
Yu Zheng	149	–	–	–	149
He Dong Han	76	–	1,197	–	1,273
	349	–	1,197	–	1,546
Independent non-executive directors:					
Wang Ching	124	–	–	–	124
Zhang Liren	124	–	–	–	124
Wu Fred Fong	124	–	–	–	124
	372	–	–	–	372

Notes:

i) Mr. Shi is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

ii) Resigned as a non-executive director with effect from 21 March 2012.

iii) Re-designated from an executive director to a non-executive director of the Company with effect from 21 March 2012 and resigned as a non-executive director of the Company with effect from 19 December 2012.

During the year ended 31 December 2012, one director waived emoluments of RMB600,000 (2011: one director waived emoluments of RMB600,000).

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employees' emoluments

During the year, of the five highest paid individuals, three (2011: three) were directors and the Chief Executive of the Company whose emoluments are set out above. The emoluments of the remaining two (2011: two) highest paid individuals were as follows:

	Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirements benefits scheme contributions RMB'000	Total RMB'000
2012	**2,327**	**1,618**	**3**	**3,948**
2011	1,921	1,802	2	3,725

Their emoluments were within the following bands:

	2012 No. of employees	2011 No. of employees
HK$2,000,001 to HK$2,500,000	**2**	4
HK$2,500,001 to HK$3,000,000	**2**	–
HK$4,000,001 to HK$4,500,000	**1**	1

13. DIVIDENDS

	2012 RMB'000	2011 RMB'000
Dividends recognised as distribution during the year:		
2011 Final – HK$0.271 (2011: 2010 final dividend HK$0.266) per share	**238,027**	238,583

In the annual general meeting held on 22 May 2012, a final dividend of HK$0.271 (2011: HK$0.266) per share in respect of the year ended 31 December 2011 was approved by the shareholders and subsequently paid to the shareholders of the Company.

A final dividend of HK$0.385 per share for the year ended 31 December 2012 has been proposed by the directors and is subject to approval by the shareholders in general meeting to be held on 24 May 2013.

14. 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:

	2012 RMB'000	2011 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**841,159**	787,318

	2012 '000	2011 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,077,068**	1,075,737
Effect of dilutive potential ordinary shares:		
Options (note)	**4,294**	7,114
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,081,362**	1,082,851

Note: Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share for the year ended 31 December 2012 as they did not have dilutive effect to the Company's earnings per share because the exercise prices of these options were higher than the average market prices of the Company's shares during 2012.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold lands RMB'000	Buildings RMB'000	Furniture and equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2011	51,473	531,679	106,531	21,420	22,385	802,565	123,879	1,659,932
Exchange adjustments	(1,760)	(5,311)	(1,034)	(34)	(87)	(5,931)	(178)	(14,335)
Additions	208	5,422	16,219	6,324	4,755	98,828	235,177	366,933
Disposals	–	–	(3,444)	–	(362)	(5,629)	–	(9,435)
Transfers	–	70,122	1,842	3,381	922	77,579	(153,846)	–
At 31 December 2011	49,921	601,912	120,114	31,091	27,613	967,412	205,032	2,003,095
Exchange adjustments	(3,114)	(3,442)	290	5	(27)	3,737	865	(1,686)
Additions	62,075	11,550	28,348	7,880	4,912	133,508	364,109	612,382
Arising on acquisition of a subsidiary (note 32)	–	18,699	1	–	–	–	1,797	20,497
Disposals	–	(93)	(1,380)	(180)	(4,796)	(29,534)	–	(35,983)
Transfers	–	54,688	8,655	7,929	320	130,334	(201,926)	–
At 31 December 2012	108,882	683,314	156,028	46,725	28,022	1,205,457	369,877	2,598,305
DEPRECIATION AND IMPAIRMENT								
At 1 January 2011	–	96,983	46,154	9,044	15,727	267,255	11,449	446,612
Exchange adjustments	–	(208)	(126)	(1)	(32)	(354)	–	(721)
Provided for the year	–	25,390	16,394	4,384	2,391	74,624	–	123,183
Eliminated on disposals	–	–	(2,000)	–	(337)	(4,178)	–	(6,515)
At 31 December 2011	–	122,165	60,422	13,427	17,749	337,347	11,449	562,559
Exchange adjustments	–	(666)	(30)	–	(34)	235	–	(495)
Provided for the year	–	31,155	19,464	6,449	2,249	96,422	–	155,739
Impairment loss recognised in profit or loss (note)	–	–	8	–	–	2,577	–	2,585
Eliminated on disposals	–	(23)	(1,080)	(54)	(4,073)	(6,324)	–	(11,554)
Transfers	–	–	–	–	–	11,449	(11,449)	–
At 31 December 2012	–	152,631	78,784	19,822	15,891	441,706	–	708,834
CARRYING AMOUNT								
At 31 December 2012	108,882	530,683	77,244	26,903	12,131	763,751	369,877	1,889,471
At 31 December 2011	49,921	479,747	59,692	17,664	9,864	630,065	193,583	1,440,536

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment other than construction in progress are depreciated on a straight line basis, after taking into account of their estimated residual value, at the following rates per annum:

Freehold lands	0%
Buildings	2.6%-5.8%
Furniture and equipment	9%-18%
Leasehold improvements	18%
Motor vehicles	18%
Plant and machinery	8%-9%

The freehold lands are located in United States of America, Mexico, Japan and Thailand respectively.

The Group has pledged freehold lands and buildings having a net book value of approximately RMB21,269,000 (31 December 2011: RMB19,910,000) to secure general banking facilities granted to the Group.

Note: An impairment loss amounting to RMB2,585,000 (2011: nil) has been recognised in respect of certain equipment to the extent that the carrying amount exceeded the recoverable amount based on the best estimate by the management in the current year.

16. PREPAID LEASE PAYMENTS

	2012 RMB'000	2011 RMB'000
Prepaid lease payments	**468,284**	414,188
Analysed for reporting purposes as:		
Current assets	**11,046**	8,253
Non-current assets	**457,238**	405,935
	468,284	414,188

Included in prepaid lease payments are PRC located land use rights with carrying amount of RMB12,568,000 (2011: RMB42,317,000) for which the land use right certificates have not been obtained. The Group is in the process of obtaining the certificates.

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

17. GOODWILL

	2012 RMB'000	2011 RMB'000
COST AND CARRYING VALUES		
At 31 December	**15,276**	15,276

The goodwill held by the Group as at 31 December 2012 arose on the acquisition of a subsidiary, Jiaxing Minrong Automotive Parts Co., Ltd. ("Jiaxing Minrong") in 2006 and on the acquisition of the remaining interest in Jiaxing Minrong in 2007. During the year ended 31 December 2007, Jiaxing Minrong became a branch of a principal subsidiary of the Group.

Impairment test of goodwill

As at 31 December 2012, the carrying amount of goodwill allocated to the cash-generating unit of auto-parts manufacturing business of Jiaxing Minrong is RMB15,276,000 (2011: RMB15,276,000). The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses discounted cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 20.25% (2011: 20.06%) per annum. The cash flows beyond the five-year period are extrapolated using a nil growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the industry.

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

18. OTHER INTANGIBLE ASSETS

	Patent RMB'000	Technical know-how RMB'000	Total RMB'000
COST			
At 1 January 2011	1,621	60,965	62,586
Additions	–	24,327	24,327
Disposals	–	(1,256)	(1,256)
At 31 December 2011	1,621	84,036	85,657
Additions	–	11,938	11,938
At 31 December 2012	1,621	95,974	97,595
AMORTISATION			
At 1 January 2011	1,621	41,306	42,927
Charge for the year	–	10,203	10,203
At 31 December 2011	1,621	51,509	53,130
Charge for the year	–	11,226	11,226
At 31 December 2012	1,621	62,735	64,356
CARRYING VALUES			
At 31 December 2012	–	33,239	33,239
At 31 December 2011	–	32,527	32,527

The other intangible assets included above have finite useful lives over which the assets are amortised. The amortisation period for both patent and technical know-how is ranged from three to ten years.

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2012 RMB'000	2011 RMB'000
Cost of unlisted investments in jointly controlled entities	**78,150**	78,150
Share of post-acquisition profits, net of dividends received	**28,467**	3,764
Exchange difference	**(5,105)**	(4,995)
Interests in jointly controlled entities	**101,512**	76,919

As at 31 December 2012 and 2011, the Group had interests in the following jointly controlled entities:

Name of entities	Country of incorporation and operation	Attributable equity interest of the Group		Paid-in capital	Principal activities
		2012 %	2011 %		
Plastic Trim International, Inc. ("PTI")	United States of America ("USA")	**49.82**	49.82	US$16,700,000	Manufacture of plastic injection moulding and extrusion
Jiaxing Dura Minth Automotive Parts Co., Ltd.	PRC	**49**	49	US$5,000,000	Manufacture of automotive parts

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

	2012 RMB'000	2011 RMB'000
Current assets	**287,170**	210,746
Non-current assets	**139,842**	123,033
Current liabilities	**200,350**	156,246
Non-current liabilities	**21,719**	22,407
Net assets	**204,943**	155,126
Group's share of net assets	**101,512**	76,919
Revenue	**592,708**	525,173
Expenses	**35,591**	35,506
Profits and total comprehensive income for the year	**50,037**	38,468
Group's share of the profits for the year	**24,703**	18,938

20. INTERESTS IN ASSOCIATES

	2012 RMB'000	2011 RMB'000
Cost of unlisted investments in associates	63,847	53,444
Share of post-acquisition profits, net of dividends received	68,269	54,514
Share of net assets	132,116	107,958

As at 31 December 2012 and 2011, the Group had interests in the following associates:

Name of entities	Country of incorporation and operation	Attributable equity interest of the Group 2012	2011	Paid-in capital	Principal activities
Ningbo Tokai Minth Automotive Parts Co., Ltd.	PRC	48%	48%	US$4,800,000	Manufacture of automotive parts
Guangzhou Tokai Minth Automotive Parts Co., Ltd.	PRC	49%	49%	US$8,000,000	Manufacture of automotive parts
Jiaxing TAB-MINTH Mobility Equipment Co., Ltd.	PRC	35%	35%	US$1,000,000	Wholesale, sales agency and import and export of automobile parts, and relevant technical consultancy, assembly and maintenance services
Wuhan Sankei Minth Automotive Parts Co., Ltd. (note)	PRC	30%	30%	US$7,500,000	Manufacture and sales of exhaust systems for automobiles

Note: Additional US$5,500,000 (equivalent to RMB34,677,000) was contributed as paid-in capital during the year ended 31 December 2012, of which US$1,650,000 (equivalent to RMB10,403,000) was contributed by the Group in proportion to its equity interest in the associate.

20. INTERESTS IN ASSOCIATES (CONTINUED)

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

	2012 RMB'000	2011 RMB'000
Total assets	**319,490**	329,310
Total liabilities	**29,499**	100,606
Net assets	**289,991**	228,704
Group's share of net assets of associates	**132,116**	107,958
Revenue	**314,202**	340,832
Profit and total comprehensive income for the year	**60,403**	70,492
Group's share of the associates' profits for the year	**29,927**	34,320

21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2012 RMB'000	2011 RMB'000
Listed investments:		
– Equity securities listed in PRC	**190,134**	157,481

22. LOAN RECEIVABLES

	Maturity date	Effective interest rate	Carrying amount 2012 RMB'000	Carrying amount 2011 RMB'000
Fixed-rate loan receivables from a jointly controlled entity	31 August 2013 (note a)	the United States Prime Rate-0.5%	**26,697**	26,762
Variable-rate loan receivables from a jointly controlled entity	five business days following written notice (note b)	the United States Prime Rate-0.5%	**–**	15,520
Fixed-rate loan receivables from an associate	27 February 2012, 1 March 2012 & 2 June 2012 (note c)	3.36%~3.37%	**–**	12,111
			26,697	54,393

	Carrying amount 2012 RMB'000	Carrying amount 2011 RMB'000
Analysed for reporting purposes as		
Current assets	**26,697**	38,873
Non-current assets	**–**	15,520
	26,697	54,393

Notes:

a. Included in the amount is the amount of interest receivables of approximately RMB549,000 (2011: RMB551,000). During the year ended 31 December 2012, both the Group and the jointly controlled entity agreed to extend the maturity date of the amount from 31 August 2012 to 31 August 2013.

b. Included in the amount was the amount of interest receivables of approximately RMB398,000 at 31 December 2011, and all principal and accumulated interest had been repaid in 2012.

c. Included in the amount was the amount of interest receivables of approximately RMB270,000 at 31 December 2011, and all principal and accumulated interest had been repaid in 2012.

22. LOAN RECEIVABLES (CONTINUED)

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

Original currency	**JPY** RMB'000
As at 31 December 2012	**–**
As at 31 December 2011	12,111

23. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current year:

Deferred tax assets:

	Allowance for doubtful debts RMB'000	**Allowance for inventories** RMB'000	**Unrealised profit for inter-group transactions** RMB'000	**Temporary difference of expense** RMB'000	**Available-for-sale financial assets** RMB'000	**Total** RMB'000
At 1 January 2011	456	1,782	19,222	12,063	–	33,523
Credit to profit or loss	174	404	2,144	2,877	–	5,599
Credit to other comprehensive income for the year	–	–	–	–	1,148	1,148
Effect of change in tax rate	–	–	(1,045)	–	–	(1,045)
At 31 December 2011	630	2,186	20,321	14,940	1,148	39,225
Credit to profit or loss	1,549	187	5,758	5,205	–	12,699
Charge to other comprehensive income for the year	–	–	–	–	(1,148)	(1,148)
Effect of change in tax rate	–	–	666	–	–	666
At 31 December 2012	2,179	2,373	26,745	20,145	–	51,442

23. DEFERRED TAXATION (CONTINUED)

Deferred tax liabilities:

	Temporary difference of income RMB'000	Fair value adjustment on acquisition of prepaid lease payments RMB'000	Withholding tax on undistributed dividends RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
At 1 January 2011	(2,023)	(1,281)	(17,190)	(1,756)	(22,250)
(Charge) credit to profit or loss	(3,926)	30	(5,691)	–	(9,587)
Credit to other comprehensive income for the year	–	–	–	871	871
At 31 December 2011	(5,949)	(1,251)	(22,881)	(885)	(30,966)
Credit (charge) to profit or loss	1,438	30	(6,313)	–	(4,845)
Charge to other comprehensive income for the year	–	–	–	(3,698)	(3,698)
At 31 December 2012	(4,511)	(1,221)	(29,194)	(4,583)	(39,509)

At the end of the reporting period, the Group has unused tax losses of RMB65.1 million (2011: RMB68.8 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. RMB0.6 million (2011: RMB0.6 million) of such tax losses will expire in 2013, RMB6.1 million (2011: RMB1.7 million) of such tax losses will expire in 2014, RMB2.9 million (2011: RMB28.9 million) of such tax losses will expire in 2015, RMB31.6 million (2011: RMB37.3 million) of such tax losses will expire in 2016 and RMB23.9 million (2011: nil) of such tax losses will expire in 2017.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not yet been provided for in the consolidated financial statements in respect of certain temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately RMB2,593,063,000 (2011: RMB1,992,366,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, there are no other unrecognised deductible temporary differences.

24. INVENTORIES

	2012 RMB'000	2011 RMB'000
Raw materials	**235,773**	176,389
Work in progress	**152,053**	103,182
Finished goods	**133,250**	113,361
Moulds	**176,013**	122,421
	697,089	515,353

During the year, allowance for inventories amounting to RMB1,788,000 (2011: RMB2,413,000) has been recognised and included in cost of sales in the current year.

25. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables		
– associates	**11,129**	9,985
– jointly controlled entities	**76,967**	28,844
– non-controlling shareholders of subsidiaries	**10,888**	35,365
– third parties	**866,434**	806,929
Less: Allowance for doubtful debts	**(16,500)**	(6,142)
	948,918	874,981
Bill receivables	**83,679**	30,801
	1,032,597	905,782
Other receivables	**53,510**	41,491
Less: Allowance for doubtful debts	**(3,290)**	(289)
	1,082,817	946,984
Prepayments	**158,518**	103,527
Value-added tax recoverable	**56,214**	19,789
Refundable guarantee deposit for acquisition of land use rights	**20,000**	40,000
Dividend receivable from an associate	**–**	19,332
Dividend receivable from a jointly controlled entity	**5,234**	5,234
Total trade and other receivables	**1,322,783**	1,134,866

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group normally grants credit period of 60 days to 90 days (2011: 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 presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2012 RMB'000	2011 RMB'000
Age		
0–90 days	978,429	875,705
91–180 days	42,574	22,979
181–365 days	8,951	6,635
Over 1 year	2,643	463
	1,032,597	905,782

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. 91% (2011: 96%) of the trade receivables with high credit scoring under the internal credit control system are neither past due nor impaired.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB90,023,000 (2011: RMB36,674,000) which are past due at the end of reporting period. However, the directors of the Company have considered the recoverable amount and credit quality of the relevant customers and concluded that the Group is not required to provide for an impairment loss. The average age of these receivables is 113 days (2011: 135 days).

Ageing of trade receivables which are past due but not impaired

	2012 RMB'000	2011 RMB'000
Age		
0–90 days	42,417	12,503
91–180 days	38,688	17,073
181–365 days	8,765	6,635
1–2 years	153	463
	90,023	36,674

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for doubtful debts

	2012 RMB'000	2011 RMB'000
1 January	**6,431**	4,167
Impairment losses recognised on receivables	**17,257**	3,013
Amounts written off as uncollectible	**(3,898)**	(749)
31 December	**19,790**	6,431

The Group first assess whether objective evidence of impairment exists individually for trade and other receivables and then includes the trade and other receivables in a group with similar credit risk characteristics including geographical location, past-due status and historical payment record for collective assessment.

Included in the allowance for doubtful debts is individual impairment of RMB17,257,000 (2011: RMB3,013,000) recognised which the counterparties have been in financial difficulties. The Group does not hold any collateral over these balances.

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

Original currency	**US$** RMB'000	**JPY** RMB'000	**EURO** RMB'000	**HK$** RMB'000
At 31 December 2012	**214,447**	**1,707**	**32,966**	**14,758**
At 31 December 2011	142,549	2,608	25,691	45

26. DERIVATIVE FINANCIAL ASSETS

	2012 RMB'000	2011 RMB'000
Derivative financial assets		
Foreign exchange forward contracts (a)	**30,768**	12,894
Swap derivative contracts (b)	**538**	2,099
	31,306	14,993
Derivative financial liabilities		
Foreign exchange forward contracts (a)	**–**	346
Swap derivative contracts (b)	**2,953**	–
Interest rate swaps (c)	**1,717**	757
	4,670	1,103

26. DERIVATIVE FINANCIAL ASSETS (CONTINUED)

(a) Foreign exchange forward contracts

At the end of the reporting period, the Group had the following outstanding foreign exchange forward contracts to mitigate its foreign currency exposure.

Major terms of these contracts are as follows:

31 December 2012

Notional amount	Maturity date	Exchange rates
Derivatives – monthly net settlement		
Sell US$244,000,000	18 March 2013 to 27 October 2014	US$1: RMB6.3800 to US$1: RMB6.5100

31 December 2011

Notional amount	Maturity date	Exchange rates
Derivatives – monthly net settlement		
Sell US$227,000,000	9 January 2012 to 17 December 2012	US$1: RMB6.3600 to US$1: RMB6.7000
Sell EURO200,000	9 January 2012	EUR1: US$1.4482
Derivatives – monthly gross settlement		
Sell US$3,000,000	13 January 2012 & 26 January 2012	US$1: RMB6.5020 & US$1: RMB6.5100

The derivative financial assets and liabilities arising from foreign exchange forward contracts as at 31 December 2011 and 2012 had been recognised in accordance with the fair value of the above foreign exchange forward contracts. These fair values of above foreign exchange forward contracts are measured in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

26. DERIVATIVE FINANCIAL ASSETS (CONTINUED)

(b) Swap derivative contracts

At the end of reporting period, the Group had following outstanding swap derivative contracts which were settled on a net basis on each settlement day.

31 December 2012

The trade date of the first batch of swap derivative contracts regarding the EURO against US$ is 8 February 2012 and the monthly maturity date is from 12 March 2012 to 12 February 2013:

(i) On each monthly maturity date, if the exchange rate of EURO against US$ is at or below 1.25, the settlement will be terminated;

(ii) On each monthly maturity date, if the exchange rate of EURO against US$ is over 1.25 and below 1.39, the Company has to sell EURO250,000 at the rate of 1.39;

(iii) On each monthly maturity date, if the exchange rate of EURO against US$ is at or over 1.39, the Company has to sell EURO500,000 at the rate of 1.39.

The trade date of the second batch of swap derivative contracts regarding the EURO against US$ is 27 February 2012 and the monthly maturity date is from 30 March 2012 to 28 February 2013:

(i) On each monthly maturity date, if the exchange rate of EURO against US$ is at or below 1.29, the settlement will be terminated;

(ii) On each monthly maturity date, if the exchange rate of EURO against US$ is over 1.29 and below 1.41, the Company has to sell EURO250,000 at the rate of 1.41;

(iii) On each monthly maturity date, if the exchange rate of EURO against US$ is at or over 1.41, the Company has to sell EURO500,000 at the rate of 1.41.

The trade date of the third batch of swap derivative contracts regarding the EURO against US$ is 18 June 2012 and the monthly maturity date is from 20 July 2012 to 20 June 2013:

(i) On each monthly maturity date, if the exchange rate of EURO against US$ is at or below 1.213, the settlement will be terminated;

(ii) On each monthly maturity date, if the exchange rate of EURO against US$ is over 1.213 and below 1.34, the Company has to sell EURO250,000 at the rate of 1.34;

(iii) On each monthly maturity date, if the exchange rate of EURO against US$ is at or over 1.34, the Company has to sell EURO500,000 at the rate of 1.34.

26. DERIVATIVE FINANCIAL ASSETS (CONTINUED)

(b) Swap derivative contracts (continued)

The trade date of the fourth batch of swap derivative contracts regarding the EURO against US$ is 13 September 2012 and the monthly maturity date is from 17 October 2012 to 17 September 2013:

(i) On each monthly maturity date, if the exchange rate of EURO against US$ is at or below 1.235, the settlement will be terminated;

(ii) On each monthly maturity date, if the exchange rate of EURO against US$ is over 1.235 and below 1.34, the Company has to sell EURO300,000 at the rate of 1.34;

(iii) On each monthly maturity date, if the exchange rate of EURO against US$ is at or over 1.34, the Company has to sell EURO600,000 at the rate of 1.34.

The trade date of the first batch of swap derivative contracts regarding the US$ against JPY is 24 October 2012 and the monthly maturity date is from 26 November 2012 to 28 October 2013:

(i) On each monthly maturity date, if the exchange rate of US$ against JPY is below the knock out rate of 77, the settlement will be terminated;

(ii) On each monthly maturity date, if the exchange rate of US$ against JPY is over 77 and below 82.5, the Company has to sell US$250,000 at the rate of 82.5;

(iii) On each monthly maturity date, if the exchange rate of US$ against JPY is at or over 82.5, the Company has to sell US$500,000 at the rate of 82.5.

The trade date of the second batch of swap derivative contracts regarding the US$ against JPY is 19 November 2012 and the monthly maturity date is from 21 December 2012 to 21 November 2013:

(i) On each monthly maturity date, if the exchange rate of US$ against JPY is below the knock out rate of 78.8, the settlement will be terminated;

(ii) On each monthly maturity date, if the exchange rate of US$ against JPY is over 78.8 and below 84.5, the Company has to sell US$300,000 at the rate of 84.5;

(iii) On each monthly maturity date, if the exchange rate of US$ against JPY is at or over 84.5, the Company has to sell US$600,000 at the rate of 84.5.

26. DERIVATIVE FINANCIAL ASSETS (CONTINUED)

(b) Swap derivative contracts (continued)

31 December 2011

The trade date of the swap derivative contracts regarding the EURO against US$ is 31 March 2011 and the monthly maturity date is from 4 October 2011 to 4 April 2012:

(i) On each monthly maturity date, if the exchange rate of EURO against US$ is at or below 1.295, the settlement will be terminated;

(ii) On each monthly maturity date, if the exchange rate of EURO against US$ is over 1.295 and below 1.48, the Company has to sell EURO250,000 at the rate of 1.48;

(iii) On each monthly maturity date, if the exchange rate of EURO against US$ is at or over 1.48, the Company has to sell EURO500,000 at the rate of 1.48.

The trade date of the swap derivative contracts regarding the US$ against RMB is 14 June 2011 and the monthly maturity date is from 16 July 2012 to 17 December 2012:

(i) On each monthly maturity date, if the exchange rate of US$ against RMB is below the knock out rate of 6.20, the settlement will be terminated;

(ii) On each monthly maturity date, if the exchange rate of US$ against RMB is at or over the knock out rate of 6.20 and below the strike price of 6.48, the Company will get a gain from the swap derivative contract, the gain is calculated as (6.48-exchange rate)*US$3,000,000/exchange rate;

(iii) On each monthly maturity date, if the exchange rate of US$ against RMB is at or over 6.48, the Company will get a loss from the swap derivative contract, the loss is calculated as (exchange rate-6.48)*US$4,500,000/exchange rate.

The trade date of the other swap derivative contracts regarding the US$ against RMB is 14 June 2011 and the monthly maturity date is from 16 July 2012 to 17 December 2012:

(i) On each monthly maturity date, if the exchange rate of US$ against RMB is below the knock out rate of 6.225, the settlement will be terminated;

(ii) On each monthly maturity date, if the exchange rate of US$ against RMB is at or over the knock out rate of 6.225 and below the strike price of 6.5, the Company will get a gain from the swap derivative contract, the gain is calculated as (6.5-exchange rate)*US$2,000,000/exchange rate;

(iii) On each monthly maturity date, if the exchange rate of US$ against RMB is at or over 6.5, the Company will get a loss from the swap derivative, the loss is calculated as (exchange rate-6.5)*US$3,000,000/exchange rate.

26. DERIVATIVE FINANCIAL ASSETS (CONTINUED)

(b) Swap derivative contracts (continued)

The trade date of the swap derivative contracts regarding the EURO against US$ is 30 September 2011 and the monthly maturity date is from 4 November 2011 to 4 October 2012:

(i) On each monthly maturity date, if the exchange rate of EURO against US$ is below 1.25, the settlement will be terminated;

(ii) On each monthly maturity date, if the exchange rate of EURO against US$ is at or over 1.25 and below 1.45, the Company has to sell EURO300,000 at the rate of 1.45;

(iii) On each monthly maturity date, if the exchange rate of EURO against US$ is at or over 1.45, the Company has to sell EURO600,000 at the rate of 1.45.

The trade date of the swap derivative contracts regarding the EURO against US$ is 18 October 2011 and the monthly maturity date is from 23 January 2012 to 22 October 2012:

(i) On each monthly maturity date, if the exchange rate of EURO against US$ is at or below 1.278, the settlement will be terminated;

(ii) On each monthly maturity date, if the exchange rate of EURO against US$ is over 1.278 and below 1.453, the Company has to sell EURO250,000 at the rate of 1.453;

(iii) On each monthly maturity date, if the exchange rate of EURO against US$ is at or over 1.453, the Company has to sell EURO500,000 at the rate of 1.453.

The trade date of the swap derivative contracts regarding the EURO against US$ is 28 October 2011 and the monthly maturity date is from 1 February 2012 to 1 November 2012:

(i) On each monthly maturity date, if the exchange rate of EURO against US$ is at or below 1.322, the settlement will be terminated;

(ii) On each monthly maturity date, if the exchange rate of EURO against US$ is over 1.322 and below 1.500, the Company has to sell EURO250,000 at the rate of 1.500;

iii) On each monthly maturity date, if the exchange rate of EURO against US$ is at or over 1.500, the Company has to sell EURO500,000 at the rate of 1.500.

At 31 December 2012, derivative financial assets of RMB538,000 (2011: RMB2,099,000) and derivative financial liabilities of RMB2,953,000 (2011: nil) has been recognised. The fair value of the Group's swap derivative contracts at the end of reporting period was determined using the Black-Scholes pricing model and the Binomial model.

26. DERIVATIVE FINANCIAL ASSETS (CONTINUED)

(c) Interest rate swaps

At the end of the reporting period, the Group had the following outstanding interest rate swaps to reduce its interest rate exposure.

Major terms of these contracts are as follows:

31 December 2012

Notional amount	Maturity date	Swaps
Derivatives – net settlement		
US$30,000,000	Quarterly, maturing on 2 June 2014 to 5 August 2014	From 0.79% to 1.09% for LIBOR

31 December 2011

Notional amount	Maturity date	Swaps
Derivatives – net settlement		
US$30,000,000	Quarterly, maturing on 2 June 2014 to 5 August 2014	From 0.79% to 1.09% for LIBOR

At 31 December 2012, derivative financial liabilities of RMB1,717,000 (2011: RMB757,000) has been recognised in accordance with the fair value of the above interest rate swaps. These fair values of above interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

27. BANK BALANCES AND PLEDGED BANK DEPOSITS

Bank balances carry interest at market rates which range from zero to 4.40% (2011: zero to 3.50%) per annum. The pledged deposits carry interest both at fixed and variable interest rate which range from zero to 4.68% (2011: zero to 0.50%) per annum. The pledged deposits will be released upon the settlement of relevant bank borrowings.

Pledged bank deposits represent deposits pledged to banks to secure short-term banking facilities granted to the Group for purchases of materials for manufacturing and are therefore classified as current assets.

The Group's pledged bank deposits and certain bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

Original currency	US$	HK$	EURO	JPY	THB
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2012	**323,216**	**6,085**	**17,872**	**19,911**	**22,017**
As at 31 December 2011	245,739	19,833	23,233	8,726	–

28. TRADE AND OTHER PAYABLES

	2012 RMB'000	2011 RMB'000
Trade payables		
– associates	**12,422**	3,925
– jointly controlled entities	**42,590**	11,961
– non-controlling shareholders of subsidiaries	**12,903**	25,298
– third parties	**463,620**	342,070
	531,535	383,254
Payroll and welfare payables	**112,313**	70,182
Advance from customers	**14,456**	19,906
Consideration payable of acquisition of property, plant and equipment	**60,088**	42,002
Technology support services fees payable	**14,587**	34,157
Freight and utilities payable	**31,044**	26,491
Marketing and administration services fees payable to a jointly controlled entity	**–**	14,000
Others	**72,706**	66,703
Total trade and other payables	**836,729**	656,695

The average credit period on purchases of goods is 30 days to 90 days (2011: 30 days to 90 days).

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

	2012 RMB'000	2011 RMB'000
Age		
0 to 90 days	**491,211**	373,568
91 to 180 days	**33,940**	5,623
181 to 365 days	**4,715**	1,942
1 to 2 years	**864**	563
Over 2 years	**805**	1,558
	531,535	383,254

28. TRADE AND OTHER PAYABLES (CONTINUED)

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

Original currency	**US$** RMB'000	**JPY** RMB'000	**EURO** RMB'000	**HK$** RMB'000
As at 31 December 2012	**94,517**	**2,874**	**1,832**	**2,188**
As at 31 December 2011	66,461	25,758	776	16,640

29. BORROWINGS

	2012 **RMB'000**	2011 RMB'000
Bank loans	**1,457,980**	820,846
Other loans (note i)	**–**	4,978
	1,457,980	825,824
Secured (note ii)	**284,596**	35,638
Unsecured	**1,173,384**	790,186
	1,457,980	825,824
Fixed-rate borrowings	**312,000**	7,545
Variable-rate borrowings	**1,145,980**	818,279
	1,457,980	825,824

29. BORROWINGS (CONTINUED)

	2012 RMB'000	2011 RMB'000
Carrying amount repayable:		
On demand or within one year	**1,271,398**	582,614
More than one year, but not exceeding two years	**186,582**	–
	1,457,980	582,614
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**–**	243,210
Less: Amounts due within one year shown under current liabilities (note iii)	**(1,271,398)**	(825,824)
Amounts shown under non-current liabilities	**186,582**	–

Notes:

(i) The amount represented loans granted by a non-controlling shareholder of a subsidiary through a bank which was fully settled during the year.

(ii) The amount was secured by pledged bank deposits.

(iii) As at 31 December 2012, included in the amount of the bank borrowings will be due within one year was RMB243,255,000 (2011: nil) which contained a repayment on demand clause.

The Group has variable-rate borrowings which carry interest at the London Inter-Bank Offer Rate and Hong Kong Inter-Bank Offer Rate. Interest is repriced every one month, three months or one year.

The ranges of effective interest rates on the Group's borrowings are as follows:

	2012	2011
Effective interest rate:		
Fixed-rate borrowings	**4.35% to 4.50%**	5.20%
Variable-rate borrowings	**1.52% to 2.84%**	1.52% to 5.06%

29. BORROWINGS (CONTINUED)

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

Original currency	**US$** RMB'000	**JPY** RMB'000	**HK$** RMB'000
As at 31 December 2012	**660,555**	**167,670**	**317,755**
As at 31 December 2011	384,355	193,281	243,210

30. SHARE CAPITAL OF THE COMPANY

	Number of shares		**Share capital**	
	2012 **'000**	2011 '000	**2012** **HK$'000**	2011 HK$'000
Ordinary shares of HK$0.1 each				
Authorised				
At beginning and end of year	**5,000,000**	5,000,000	**500,000**	500,000

	Number of shares		**Share capital**	
	2012 **'000**	2011 '000	**2012** **RMB'000**	2011 RMB'000
Issued and fully paid				
At beginning of year	**1,076,647**	1,073,850	**109,139**	108,904
Exercise of share options	**826**	2,797	**67**	235
At end of year	**1,077,473**	1,076,647	**109,206**	109,139

31. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 16 April 2012, the Group acquired the remaining 35% equity interest in Jiaxing Minth Hashimoto Automotive Parts Co., Ltd. ("Jiaxing Minth Hashimoto"), a subsidiary of the Group, from the non-controlling shareholder for a cash consideration of JPY200,000,000 (equivalent to approximately RMB15,308,000), and since then Jiaxing Minth Hashimoto became a wholly owned subsidiary of the Company. On the date of acquisition, the shortfall between the net carrying amounts of the remaining 35% equity interest in Jiaxing Minth Hashimoto of RMB23,004,000 and the consideration paid by the Group of RMB15,308,000 was amounted to RMB7,696,000, which was credited to other reserve in the consolidated statement of changes in equity.

32. ACQUISITION OF SUBSIDIARY

On 28 September 2012, the Group entered into a share transfer agreement to acquire 100% equity interest in Tianjin Minshin Machinery Industrial Co., Ltd. ("Tianjin Minshin") from Rich Advance Holdings Ltd., which was wholly-owned by Mr. Chin, the Chairman and executive director of the Company, for a cash consideration of RMB38,000,000. On the date of acquisition, Tianjin Minshin was inactive and its major asset contained a land use right in respect of a piece of leasehold land and property, plant and equipment situated in Tianjin, the PRC.

This transaction had been accounted for as purchase of assets and liabilities.

The assets acquired and liabilities assumed through acquisition of 100% equity interest in Tianjin Minshin, which was completed on 12 December 2012, were as follows:

	RMB'000
Property, plant and equipment	20,497
Prepaid lease payments	16,428
Bank balances and cash	1,356
Other payables	(281)
	38,000
Net cash outflow arising on acquisition:	
Cash consideration paid	(38,000)
Bank balances and cash acquired	1,356
	(36,644)

33. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2011, dividends of approximately RMB10,439,000 were declared by one group entity to its non-controlling shareholder and the amount was re-invested by the non-controlling shareholder as paid-in capital of the group entity.

34. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments to make the following future minimum lease payments in respect of buildings rented under non-cancellable operating leases which fall due as follows:

	2012 RMB'000	2011 RMB'000
Within one year	**1,857**	3,013
In the second to fifth year inclusive	**871**	70
Over five years	**136**	–
	2,864	3,083

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

The Group as lessor

The Group lets a part of its buildings under operating lease. Property rental income earned during the year was RMB5,928,000 (2011: RMB4,612,000).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2012 RMB'000	2011 RMB'000
Within one year	**425**	1,542
In the second to fifth year inclusive	**–**	58
After five years	**–**	25
	425	1,625

35. COMMITMENTS

	2012 RMB'000	2011 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	**203,568**	107,448
Prepaid rentals for lease premium for land	**38,894**	–

36. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme:

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 13 November 2005 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 13 November 2015. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Scheme has been terminated and replaced by a new share option scheme, which was approved in the annual general meeting held on 22 May 2012 and will be valid for 10 years from the date of its adoption (the "New Scheme").

At 31 December 2012, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 48,942,000 (2011: 50,778,000), representing 4.5% (2011: 4.7%) of the shares of the Company in issue at end of the reporting period. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 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. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors, or any of their respective associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1.00. In respect of the share options granted in 2008, 50% of the total granted options can be exercised after 1 February 2010 and the remaining 50% of options can be exercised after 1 February 2011. The exercise price is HK$5.34 which was determined as the average closing price of the shares of the Company on the daily quotations of the Stock Exchange for the business days preceding the date of grant of the options. In respect of the share options granted in 2011, 30% of the total granted options can be exercised after 1 February 2012, 30% of the total granted options can be exercised after 1 February 2013 and the remaining 40% of options can be exercised after 1 February 2014. The exercise price is HK$10.89 which was determined as the average closing price of the shares of the Company on the daily quotations of the Stock Exchange for the business days preceding the date of grant of the options. In respect of the share options granted in 2012, 30% of the total granted options can be exercised after 30 May 2013, 30% of the total granted options can be exercised after 30 May 2014 and the remaining 40% of options can be exercised after 30 May 2015. The exercise price is HK$9.13 which was determined as the average closing price of the shares of the Company on the daily quotations of the Stock Exchange for the business days preceding the date of grant of the options.

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price HK$	Fair value at grant date HK$
2008A	04/07/08	04/07/08 to 31/01/10	01/02/10 to 12/11/13	5.34	0.76
2008B	04/07/08	04/07/08 to 31/01/11	01/02/11 to 12/11/13	5.34	0.96
2011A	10/06/11	10/06/11 to 31/01/12	01/02/12 to 12/11/16	10.89	2.99
2011B	10/06/11	10/06/11 to 31/01/13	01/02/13 to 12/11/16	10.89	3.38
2011C	10/06/11	10/06/11 to 31/01/14	01/02/14 to 12/11/16	10.89	3.69
2012A	31/05/12	31/05/12 to 29/05/13	30/05/13 to 30/05/17	9.13	2.45
2012B	31/05/12	31/05/12 to 29/05/14	30/05/14 to 30/05/17	9.13	2.66
2012C	31/05/12	31/05/12 to 29/05/15	30/05/15 to 30/05/17	9.13	2.77

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36. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme: (Continued)

The following tables disclose movements of the Company's share options held by employees and directors during the year ended 31 December 2012 and 2011:

Option type	Outstanding at 01/01/2012	Granted during the year	Exercised during the year	Forfeited during the year (note)	Expired during the year	Outstanding at 31/12/2012
2008A	3,579,000	–	(413,000)	(20,000)	–	3,146,000
2008B	8,199,000	–	(413,000)	(20,000)	–	7,766,000
2011A	11,700,000	–	–	(1,074,000)	–	10,626,000
2011B	11,700,000	–	–	(1,074,000)	–	10,626,000
2011C	15,600,000	–	–	(1,432,000)	–	14,168,000
2012A	–	807,000	–	(24,000)	–	783,000
2012B	–	807,000	–	(24,000)	–	783,000
2012C	–	1,076,000	–	(32,000)	–	1,044,000
	50,778,000	2,690,000	(826,000)	(3,700,000)	–	48,942,000
Exercisable at the end of the year						21,538,000
Weighted average exercise price	HK$9.60	HK$9.13	HK$5.34	HK$10.79	–	HK$9.56

36. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme: (Continued)

Option type	Outstanding at 01/01/2011	Granted during the year	Exercised during the year	Forfeited during the year (note)	Expired during the year	Outstanding at 31/12/2011
2008A	5,045,000	–	(1,428,500)	(37,500)	–	3,579,000
2008B	9,605,000	–	(1,368,500)	(37,500)	–	8,199,000
2011A	–	11,700,000	–	–	–	11,700,000
2011B	–	11,700,000	–	–	–	11,700,000
2011C	–	15,600,000	–	–	–	15,600,000
	14,650,000	39,000,000	(2,797,000)	(75,000)	–	50,778,000
Exercisable at the end of the year						11,778,000
Weighted average exercise price	HK$5.34	HK$10.89	HK$5.34	HK$5.34	–	HK$9.60

Note: The forfeiture represented the share options granted to the eligible directors and employees of the Group, which were forfeited upon their resignation in both years.

36. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme: (Continued)

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$8.92 (2011: HK$12.09).

The estimated fair values of the options in 2012A, 2012B and 2012C at the grant date are HK$7,104,000. The following assumptions were used to calculate the fair value of share options:

		Option type	
	2012A	**2012B**	**2012C**
Grant date share price	HK$9.10	HK$9.10	HK$9.10
Exercise price	HK$9.13	HK$9.13	HK$9.13
Expected volatility	48%	48%	48%
Option life	5 years	5 years	5 years
Vesting period	1 year	2 years	3 years
Risk-free rate	0.49%	0.49%	0.49%
Expected dividend yield	2.71%	2.71%	2.71%
Early exercise multiple	1.5	1.5	1.5

The estimated fair values of the options in 2011A, 2011B and 2011C at the grant date are HK$132,115,000. The following assumptions were used to calculate the fair value of share options:

		Option type	
	2011A	**2011B**	**2011C**
Grant date share price	HK$10.70	HK$10.70	HK$10.70
Exercise price	HK$10.89	HK$10.89	HK$10.89
Expected volatility	46%	46%	46%
Option life	5.43 years	5.43 years	5.43 years
Vesting period	0.65 years	1.65 years	2.65 years
Risk-free rate	1.38%	1.38%	1.38%
Expected dividend yield	2.60%	2.60%	2.60%
Early exercise multiple	2	2	2

36. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme: (Continued)

The estimated fair values of the options in 2008A and 2008B at the grant date are HK$17,888,000. The inputs into the model were as follows:

	Option type	
	2008A	**2008B**
Grant date share price	HK$5.09	HK$5.09
Exercise price	HK$5.34	HK$5.34
Expected volatility	34.4%	34.1%
Expected life	1.75 years	2.80 years
Risk-free rate	2.43%	2.86%
Expected dividend yield	2.95%	2.95%

Expected volatility for the options in 2012A, 2012B, 2012C, 2011A, 2011B and 2011C was determined by using the historical volatility of the Company's share price over the previous 5 and 5.53 years. Expected volatility for the options in 2008A and 2008B was determined by using the historical volatility of the share price of entities in the same industry over the previous 1.75 and 2.80 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of RMB40,751,000 for the year ended 31 December 2012 (2011: RMB41,004,000) in relation to share options granted by the Company.

The Black-Scholes option pricing model has been used to estimate the fair value of the options in 2008A and 2008B. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Binomial model has been used to estimate the fair value of the options in 2012A, 2012B, 2012C, 2011A, 2011B and 2011C. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

37. RETIREMENT BENEFITS SCHEME

The employees of the Group's PRC subsidiaries are members of the state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total cost charged to profit or loss of RMB25,259,000 (2011: RMB22,408,000) represents contributions paid to the retirement benefits scheme by the Group in respect of the current accounting period.

38. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Saved as disclosed in notes 22, 25, 28, 29, 31, 32 and 36, the Group has the following significant transactions with related/connected parties during the year:

Relationship with related/connected party	**Nature of transactions**	**2012 RMB'000**	2011 RMB'000
Jointly controlled entity, in which the Company has a 49% equity interest	Sales of finished goods	**17,989**	22,558
	Sales of raw materials and moulds	**4,165**	4,336
	Purchases of raw materials	**86,208**	89,748
	Purchase of finished goods	**86,477**	73,742
	Proceeds from disposal of property, plant and equipment	**–**	1,628
	Property rentals income	**2,686**	2,361
	Testing services income	**80**	129
Jointly controlled entity, in which the Company has a 49.82% equity interest	Sales of finished goods	**116,484**	91,201
	Sales of moulds	**26,983**	12,966
	Consulting service income	**12,253**	11,492
	Interest income	**907**	1,562
	Property rentals charges	**–**	7,752
Associates, in which the Company has a 48% and 49% equity interest	Sales of finished goods	**65,047**	70,185
	Sales of raw materials and moulds	**10,597**	9,471
	Purchase of raw materials and moulds	**40,511**	28,256
	Purchase of finished goods	**37,050**	–
	Property rentals income	**1,715**	1,327
	Testing services charges	**319**	254
	Consulting service income	**70**	329
	Purchase of fixed assets	**15,972**	–
	Interest income	**–**	368
Associate, in which the Company has a 30% equity interest	Sales of moulds	**–**	9,572
Non-controlling shareholders of subsidiaries (*)	Sales of finished goods and moulds	**176,279**	208,568
	Purchase of raw materials and moulds	**83,135**	99,221
	Technology support services charges	**14,480**	20,865
	Purchase of intangible assets	**–**	3,773
	Interest expenses	**–**	544

The transactions mentioned above also include connected transactions or continuing connected transactions (denoted as *) as defined in Chapter 14A of the Stock Exchange's listing rules.

38. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (CONTINUED)

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

	2012 RMB'000	2011 RMB'000
Short-term benefits	9,489	6,212
Post-employment benefits	19	18
Share-based payments	9,703	9,619
	19,211	15,849

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

39. SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2012 and 31 December 2011 are as follows:

Name of subsidiary	Country of incorporation /registration	Attributable equity interest of the Group 2012	2011	Issued shares	Principal activities
Wealthfield Holdings Limited (Note i)	British Virgin Islands	100%	100%	US$1	Investment holding
Cheerplan Holdings Limited (Note i)	British Virgin Islands	100%	100%	US$1	Investment holding
Decade Industries Limited	British Virgin Islands	100%	100%	US$1	Investment holding
Forecast Industries Limited	British Virgin Islands	100%	100%	US$1	Investment holding
Mindway Holdings Limited	British Virgin Islands	100%	100%	US$1	Investment holding
Sinoone Holdings Limited	British Virgin Islands	100%	100%	US$1	Investment holding
Franshoke Investments Limited	British Virgin Islands	100%	100%	US$1	Investment holding
Enboma Investments Limited	British Virgin Islands	100%	100%	US$46,000,000	Investment holding
Magic Figure Investments Limited	British Virgin Islands	100%	100%	US$1	Investment holding
Constant Gain International Limited	British Virgin Islands	100%	100%	US$1	Investment holding
明炻投資有限公司 (Minth Investment Limited)	Hong Kong	100%	100%	HK$10,000	Investment holding

39. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Country of incorporation /registration	Attributable equity interest of the Group 2012	2011	Issued shares	Principal activities
司諾(香港)有限公司 (Sinoone (HK) Limited)	Hong Kong	**100%**	100%	HK$10,000	Investment holding
時銘(香港)有限公司 (Decade (HK) Limited)	Hong Kong	**100%**	100%	HK$10,000	Investment holding
睿途(香港)有限公司 (Mindway (HK) Limited)	Hong Kong	**100%**	100%	HK$10,000	Investment holding
展圖(香港)有限公司 (Cheerplan (HK) Limited)	Hong Kong	**100%**	100%	HK$10,000	Investment holding
泰琳發展有限公司 (Talentlink Development Limited)	Hong Kong	**100%**	100%	HK$10,000	Investment holding
福州信泰汽車零部件有限公司 (Fuzhou Shintai Automotive Parts Co., Ltd.)	PRC as a wholly-owned foreign investment enterprise ("WOFE")	**100%**	100%	US$1,050,000	Manufacture, process and sales of automobile body parts
重慶長泰汽車零部件有限公司 (Chongqing Changtai Automobile Spare Parts Co., Ltd.)	PRC as a WOFE	**100%**	100%	US$4,200,000	Manufacture and sales of automobile body parts
廣州敏惠汽車零部件有限公司 (Guangzhou Minhui Automobile Parts Co., Ltd.)	PRC as a foreign equity joint venture enterprise	**70%**	70%	US$5,350,000	Manufacture, process and sales of automobile body parts
海南精瑞汽車零部件有限公司 (Hainan Jingrui Automotive Co., Ltd.)	PRC as a WOFE	**100%**	100%	US$3,000,000	Manufacture and sales of automobile body parts
嘉興敏惠汽車零部件有限公司 (Jiaxing Minhui Automotive Parts Co., Ltd.)	PRC as a WOFE	**100%**	100%	US$43,510,000	Manufacture and sales of automobile body parts
寧波國鴻汽車零部件有限公司 (Ningbo Guohong Automotive Co., Ltd.)	PRC as a WOFE	**100%**	100%	US$4,800,000	Design, manufacture, develop and sales of automobile body parts
寧波信泰機械有限公司 (Ningbo Shintai Machines Co., Ltd.)	PRC as a WOFE	**100%**	100%	US$27,340,000	Design, manufacture, develop and sales of automobile body parts

39. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Country of incorporation /registration	Attributable equity interest of the Group 2012	2011	Issued shares	Principal activities
天津信泰汽車零部件有限公司 (Tianjin Shintai Automotive Parts Co., Ltd.)	PRC as a sino foreign equity joint venture enterprise	**80%**	80%	US$2,530,000	Manufacture and sales of automobile body parts
天津敏信機械有限公司 (Tianjin Minshin) (note v)	PRC as a WOFE	**100%**	N/A	US$2,500,000	Research and development, design production and sales of automobile parts and related products
廣州敏瑞汽車零部件有限公司 (Guangzhou Minrui Automobile Parts Co., Ltd.)	PRC as a WOFE	**100%**	100%	US$16,000,000	Manufacture and sales of automobile body parts
武漢敏惠汽車零部件有限公司 (Wuhan Minhui Automobile Parts Co., Ltd.)	PRC as a WOFE	**100%**	100%	US$9,500,000	Manufacture and sales of automobile body parts
嘉興敏勝汽車零部件有限公司 (Jiaxing EL Triumph Automotive Parts Co., Ltd.)	PRC as a WOFE	**100%**	100%	US$17,700,000	Manufacture and sales of automobile body parts
上海亞昊汽車產品設計有限公司 (Shanghai Cogen Research and Design Co., Ltd.)	PRC as a WOFE	**100%**	100%	US$600,000	Design of automobile exterior, interior decorative parts
重慶敏特汽車零部件有限公司 (Chongqing Minte Automobile Spare Parts Co., Ltd.)	PRC as a WOFE	**100%**	100%	US$5,000,000	Manufacture and sales of automobile body parts
展圖(中國)投資有限公司 (Cheerplan (China) Investments Co., Ltd.)	PRC as a WOFE	**100%**	100%	US$273,310,000	Investment holding
嘉興興禾汽車零部件有限公司 (Jiaxing Xinghe Automotive Parts Co., Ltd.)	PRC as a WOFE	**100%**	100%	US$18,000,000	Manufacture and sales of automobile body parts
寧波敏禾機械有限公司 (Ningbo Minhe Machines Co., Ltd.)	PRC as a WOFE	**100%**	100%	US$3,000,000	Design, manufacture and sales of automobile body parts
長春敏實汽車零部件有限公司 (Changchun Minth Automotive Parts Co., Ltd.)	PRC as a sino foreign equity joint venture enterprise	**55%**	55%	US$5,000,000	Manufacture and sales of automobile body parts

39. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Country of incorporation /registration	Attributable equity interest of the Group 2012	Attributable equity interest of the Group 2011	Issued shares	Principal activities
Minth North America, Inc.	USA	100%	100%	US$15,940,000	Research and marketing development
煙臺敏實汽車零部件有限公司 (Yantai Minth Automotive Parts Co., Ltd.)	PRC as a WOFE	100%	100%	US$1,200,000	Manufacture and sales of automobile body parts
嘉興敏實機械有限公司 (Jiaxing Minth Machines Co., Ltd.)	PRC as a WOFE	100%	100%	US$25,000,000	Design, manufacture, develop and sales of automobile body parts
銘仕國際有限公司 (Minth International Limited)	Hong Kong	100%	100%	HK$4,000,000	Import and export trading, logistics, technology import, and investment holding
寧波敏實汽車零部件技術研發有限公司 (Ningbo Minth Automotive Parts Research & Development Co., Ltd.)	PRC as a WOFE	100%	100%	US$26,500,000	Design, manufacture, import, export and consulting of stamping dies
嘉興信元精密模具科技有限公司 (Jiaxing Shinyou Mould Tech Co., Ltd.)	PRC as a WOFE	100%	100%	US$14,000,000	Design and manufacture of mould
嘉興敏瑞汽車零部件有限公司 (Jiaxing Minrui Automotive Parts Co., Ltd.) ("Jiaxing Minrui") (note iv)	PRC as a WOFE	100%	65%	US$8,000,000	Manufacture of automotive parts
Minth Japan 株式會社 (Minth Japan Co., Ltd.)	Japan	100%	100%	JPY95,000,000	Act as an agent of sales of automobile body parts and purchase of raw materials
Minth Aapico (Thailand) Co., Ltd	Thailand	60%	60%	THB178,500,000	Design, manufacture, develop and sales of automobile body parts
Minth Financial Limited	Hong Kong	100%	100%	HK$10,000	Bookkeeping service
寧波泰甬汽車零部件有限公司 (Ningbo Taiyong Automotive Parts Co., Ltd.)	PRC as a WOFE	100%	100%	US$32,000,000	Manufacture and sales of automobile body parts

39. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Country of incorporation /registration	Attributable equity interest of the Group 2012	2011	Issued shares	Principal activities
嘉興思途汽車零部件有限公司 (Jiaxing Situ Automotive Parts Co., Ltd.)	PRC as a WOFE	100%	100%	US$8,000,000	Design, manufacture, develop and sales of automobile body parts
嘉興國威汽車零部件有限公司 (Jiaxing Guowei Automotive Parts Co., Ltd.)	PRC as a WOFE	100%	100%	US$2,000,000	Design, manufacture, develop and sales of automobile body parts
嘉興敏凱汽車零部件有限公司 (Jiaxing Kittel-Minth Automotive Parts Co., Ltd.)	PRC as a WOFE	100%	100%	US$50,000,000	Design, manufacture, develop and sales of automobile body parts
寧波市泰銳貿易有限公司 (Note vi)	PRC as a WOFE	N/A	100%	RMB5,000,000	Wholesale of materials of automobile spare parts
Minth Mexico, S.A. DE C.V.	Mexico	100%	100%	MXN173,420,800	Design, manufacture, develop and sales of automobile body parts
Minth GmbH	Germany	100%	100%	EURO500,000	Customer service and market development
廣州敏實汽車零部件有限公司 (Guangzhou Minth Automotive Parts Co., Ltd.)	PRC as a WOFE	100%	100%	US$30,000,000	Design, manufacture, develop and sales of automobile body parts
煙臺和瑞汽車零部件有限公司 (Yantai Herui Automotive Parts Co., Ltd.)	PRC as a WOFE	100%	100%	US$10,000,000	Design, manufacture, develop and sales of automobile body parts
江蘇和興汽車科技有限公司 (Jiangsu Hexing Automotive Technology Co., Ltd.)	PRC as a WOFE	100%	100%	US$33,000,000	Design, manufacture, develop and sales of welfare vehicle, development of new energy vehicle
淮安和泰汽車零部件有限公司 (Huaian Hetai Automotive Parts Co., Ltd.)	PRC as a WOFE	100%	100%	US$20,000,000	Manufacture, develop and sales of automobile body parts and battery for electric vehicle

39. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Country of incorporation /registration	Attributable equity interest of the Group 2012	2011	Issued shares	Principal activities
淮安和通汽車零部件有限公司 (Huaian Hetong Automotive Parts Co., Ltd.)	PRC as a WOFE	**100%**	100%	US$12,000,000	Manufacture, develop and sales of automobile body parts and motor system for electric vehicle
淮安和正服務有限公司 (Huaian Hezheng Service Co., Ltd.) (Note vi)	PRC as a WOFE	**N/A**	100%	US$500,000	Management consulting
淮安和裕服務有限公司 (Huaian Heyu Service Co., Ltd.) (Note vi)	PRC as a WOFE	**N/A**	100%	US$500,000	Management consulting
武漢和盛汽車零部件有限公司 (Wuhan Hesheng Automotive Parts Co., Ltd.)	PRC as a WOFE	**100%**	100%	US$27,000,000	Design, manufacture, develop and sales of automobile body parts
武漢敏島汽車零部件有限公司 (Wuhan Minth Nojima Automotive Parts Co., Ltd.) (Note iii)	PRC as a foreign equity joint venture enterprise	**50%**	50%	US$4,700,000	Design, manufacture, develop and sales of automobile body parts
嘉興和鑫汽車零部件有限公司 (Jiaxing Hexin Automotive Parts Co., Ltd.)	PRC as a WOFE	**100%**	100%	US$1,000,000	Design, manufacture and sales of automobile drive
淮安和欣日資工業園管理有限公司	PRC as a WOFE	**100%**	100%	RMB76,200,000	Management consulting
武漢東海敏實汽車零部件有限公司 (Wuhan Tokai Minth Automotive Parts Co., Ltd.) (Note iii)	PRC as a foreign equity joint venture enterprise	**50%**	50%	US$10,000,000	Design, manufacture, develop and sales of automobile body parts
Minth International Macau Commercial Offshore Limited	Macau	**100%**	100%	MOP100,000	Investment holding
柳州敏瑞汽車零部件有限公司 (Liuzhou Minrui Automotive Parts Co., Ltd.)	PRC as a WOFE	**100%**	100%	RMB7,000,000	Design, develop and sales of automobile body parts
嘉興和豐汽車動力電池有限公司 (Note ii)	PRC as a WOFE	**100%**	N/A	RMB6,000,000	Manufacture of car-used lithium battery
鄭州敏惠汽車零部件有限公司 (Zhengzhou Minhui Automotive Parts Co., Ltd.) (Note ii)	PRC as a WOFE	**100%**	N/A	RMB90,000,000	Design, manufacture and sales of automobile body parts

39. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Country of incorporation /registration	Attributable equity interest of the Group 2012	2011	Issued shares	Principal activities
寧波和悦汽車零部件有限公司 (Ningbo Heyue Automotive Parts Co., Ltd.) (Note ii)	PRC as a WOFE	100%	N/A	US$500,000	Wholesale of automobile body parts
北京敏實汽車零部件有限公司 (Beijing Minth Automotive Parts Co., Ltd.) (Note ii)	PRC as a WOFE	100%	N/A	RMB65,000,000	Design, manufacture, develop and sales of automobile body parts
清遠敏惠汽車零部件有限公司 (Qingyuan Minhui Automotive Parts Co., Ltd.) (Note ii)	PRC as a WOFE	100%	N/A	US$14,300,000	Manufacture and sales of automobile body parts
敏實投資有限公司 (Note ii)	PRC as a WOFE	100%	N/A	US$98,000,000	Investment holding
Minth Automobile Part (Thailand) Co., Ltd. (Note ii)	Thailand	99.99%	N/A	THB800,000,000	Manufacture and sales of automobile body parts
Minth Development (Thailand) Co., Ltd. (Note ii)	Thailand	99.99%	N/A	THB85,000,000	Manufacture and sales of automobile body parts
Minth Automotive Parts (India) Private Limited (Note ii)	India	100%	N/A	US$100,000	Manufacture and sales of automobile body parts
TK MINTH MEXICO, S.A. DE C.V. (Notes ii and iii)	Mexico	50%	N/A	MXN92,597,368	Design, manufacture, import, export and sales of automobile body parts

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

Note ii Newly established/incorporated during the year ended 31 December 2012.

Note iii Through shareholders' agreement of, or terms set out in the articles of association of the relevant subsidiary, the Group has the control over these entities through its majority voting power at meetings of the relevant governing body which control is vested.

Note iv Jiaxing Minth Hashimoto became a wholly owned subsidiary and changed its name to Jiaxing Minrui during the year ended 31 December 2012. For details, please refer to note 31.

Note v Newly acquired in 2012. Details were set out in note 32.

Note vi De-registered during the year ended 31 December 2012.

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

40. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2012 **RMB'000**	2011 RMB'000
Unlisted investments in subsidiaries	**4,183,088**	3,864,345
Furniture and equipment	**395**	462
Derivative financial assets	**7,143**	9,090
Bank balances and cash	**55,553**	69,774
Other current assets	**15,597**	411
Total assets	**4,261,776**	3,944,082
Amounts due to subsidiaries	**669,777**	688,143
Borrowings	**1,319,805**	743,873
Other payables	**3,698**	2,943
Total liabilities	**1,993,280**	1,434,959
Net assets	**2,268,496**	2,509,123
Share capital	**109,206**	109,139
Reserves	**2,159,290**	2,399,984
Total equity	**2,268,496**	2,509,123

40. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement in reserves

	Share capital RMB'000	Special reserve RMB'000	Other reserve RMB'000	Share options reserve RMB'000	Share premium and retained profits RMB'000	Total RMB'000
At 1 January 2011	108,904	410,321	1,532	11,334	2,297,945	2,830,036
Total comprehensive expense for the year	–	–	–	–	(135,860)	(135,860)
Recognition of share-based payments	–	–	–	41,004	–	41,004
Dividends recognised as distribution	–	–	–	–	(238,583)	(238,583)
Transfer to other reserve for share options forfeited after the vesting date	–	–	57	(57)	–	–
Exercise of share options	235	–	–	(2,085)	14,376	12,526
At 31 December 2011	109,139	410,321	1,589	50,196	1,937,878	2,509,123
Total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(46,938)**	**(46,938)**
Recognition of share-based payments	**–**	**–**	**–**	**40,751**	**–**	**40,751**
Dividends recognised as distribution	**–**	**–**	**–**	**–**	**(238,027)**	**(238,027)**
Transfer to other reserve for share options forfeited after the vesting date	**–**	**–**	**1,687**	**(1,687)**	**–**	**–**
Exercise of share options	**67**	**–**	**–**	**(618)**	**4,138**	**3,587**
At 31 December 2012	**109,206**	**410,321**	**3,276**	**88,642**	**1,657,051**	**2,268,496**

41. OTHER MATTERS

In March 2011, the Group entered into an agreement with independent third parties, Korea Fuel-Tech Corporation and Mr. Chung Koo Lee to conditionally acquire a total of 45% equity interest in Beijing KFTC Co., Ltd. for a total consideration of RMB130,050,000. On 3 February 2012, the parties mutually agreed to terminate the share purchase agreements. All rights and obligations under the agreements ceased with effect from the same day.