MINTH

MINTH GROUP LIMITED

敏實集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 425

Interim Report 2010

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The Board

Executive Directors

Chin, Jong Hwa *(Chairman)*
Shi, Jian Hui *(Chief Executive Officer)*
Mu, Wei Zhong *(Chief Operating Officer)*
Zhao, Feng *(Chief Marketing Officer)*

Non-executive Directors

Mikio Natsume
Zheng, Yu

Independent non-executive Directors

Wu, Fred Fong
Wang, Ching
Zhang, Liren

Company Secretary

Loke Yu

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Principal Place of Business in Hong Kong

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Hong Kong

Principal Bankers

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68/F, Cheung Kong Center
2 Queen's Road, Central
Hong Kong

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

China Construction Bank
Jiaxing branch
198 Ziyang Street
Jiaxing
China

Principal Share Registrar and Transfer Office

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Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
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Auditor

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Certified Public Accountants
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Legal Advisers to the Company

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As to PRC Law
Zhejiang T&C Law Firm
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As to Cayman Islands Law
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Hutchins Drive, George Town
Grand Cayman, British West Indies

Stock Code

SEHK Code: 0425

Industry Overview

During the six months ended 30 June 2010 (the "Review Period"), the global passenger vehicle market maintained growth while reform was taking place. Reform was manifested in two aspects: first, global mergers and acquisitions in the automakers and automobile parts manufacturers both increased while the restructure deepened; second, to satisfy social demand for low carbon and environmental protection, products featuring low energy consumption, low carbon emission, body weight reduction and electronics became the major reform direction for every automaker and automobile parts manufacturer. During the Review Period, the path for recovery in the passenger vehicle markets, including the European and the American markets, was becoming more obvious. During the Review Period, sales volume of passenger vehicles in China amounted to approximately 6.721 million units, representing a year-on-year growth of approximately 48.20% and still maintaining the top position globally. Sales volume of traditional passenger vehicles accounted for approximately 5.384 million units, representing a growth of approximately 49.63% year-on-year. Although these figures made a number of analysts believe that China's passenger vehicle market has already reached its peak and therefore, the growth rate will slow down in the future; nonetheless, in a fairly long period of time to come, a relatively steady growth could be expected. On the other hand, in view of the fact that the domestic automobile parts manufacturers for passenger vehicles are still at their initial development phase, the automobile parts manufacturers may even enjoy a cross-cycle growth.

Company Overview

Minth Group Limited (the "Company") and its subsidiaries (the "Group") are primarily engaged in the design, manufacturing and sale of automotive parts including trims, decorative parts and body structural parts in China, North America, Mexico and Thailand, as well as export to the global markets including Europe and the Asia-Pacific region.

During the Review Period, with the Group's adoption of a sound and established development strategy, the turnover and the profit attributable to the shareholders continued to grow. As a result of the Group's own efforts and the development of domestic and overseas markets, its client base and product lineup both expanded further and its position in the domestic market was strengthened further, while overseas turnover grew substantially. Internally, the Group's information management and a scientific organisational structure kept the management highly efficient and helped to increase the sales per employee. Through developing and strengthening the management teams at all levels, staff allocation optimization, the communication channel between general staff and the management, as well as the Group's long established competitive remuneration and social benefits policy, the Group kept its employee system relatively stable, which may assure the Group's current and future business growth.

Business and Operation Layout

During the Review Period, the Group's turnover in the domestic market amounted to approximately RMB1,311,926,000, representing an increase of approximately 47.4% compared to approximately RMB890,070,000 in the corresponding period in 2009. Following the formal launch of mass production in both plants in Thailand and Mexico, coupled with the rebound in export as a result of the recovery of major overseas markets, the Group's turnover in overseas markets amounted to approximately RMB404,539,000, representing a significant growth of approximately 218% compared to approximately RMB127,135,000 in the corresponding period in 2009.

During the Review Period, the Group increased its domestic asset investment in production bases located at regions such as Guangzhou, Wuhan and Jiaxing for enhancing production capacity, allowing room for sustainable development in the future. In Europe, a wholly-owned subsidiary was established in Germany for sales management dedicated to the European region. The steady profit of Plastic Trim International, Inc., the Group's joint venture in North America, and the formal operation of Minth Mexico, S.A. DE C.V., the Group's wholly-owned subsidiary in Mexico indicated the effective operation of the Group's North American and Central American bases. Turnover growth of MINTH AAPICO (Thailand) Co., Limited, the Group's joint venture in Thailand, and the establishment of an office in

India signified the Group's launch of operation and market expansion in the South East Asia region. The Group's research and development ("R&D") center in Japan also gradually became the window for the exchange of technical information between the Group and its clients, and for obtaining product development orders.

During the Review Period, while strengthening its relationship with existing clients, the Group also focused on implementing a client diversification strategy. The Group was keen to expand its business with Chinese automakers and secured orders of new auto models from SAIC Motor, Geely and Great Wall Motors. By doing so, the Group would be able to increase the ratio of its business with Chinese automakers and hence its domestic sales revenue. During the Review Period, the Group established relationships with new overseas clients, such as Nissan Motor Co., Ltd ("Nissan") in Mexico and Renault S.A. ("Renault") in France, resulting in a steadily expanding customer base.

In addition, the Group became more experienced and advanced in techniques such as stamping, welding and assembly. As a result, the seat frame system as detached from trims, decorative parts and body structural parts, became the Group's fourth product lineup, which will play an instrumental role in the Group's future business development direction.

In the investment front, to realize the Group's investment strategy of steady growth and forward planning, the Group has been actively approaching and cautiously assessing various domestic and overseas investment and cooperation opportunities.

Research and Development

During the Review Period, the Group continued its investment in R&D in order to provide a strong guarantee for its future development. Since last year, the two major overseas design bases in North America and Japan began to operate productively, helping the Group to build up its global R&D network. Through such network, the Group will be capable of acquiring the latest technology internationally. In light of the integration of such technical resources throughout the world, the Group established a platform for the introduction of new technology and new partners and laid a ground for future development and expansion. During the Review Period, the advanced technology information and talents of an international standard have been introduced to the Group from such overseas design bases. Further, the Group insists that the R&D should be carried out in line with the government's encouraging policies and the development trend of the industry so as to secure the long-term growth of its results.

During the Review Period, the Group filed 62 patent applications for approval and was granted 12 patents by competent authorities. As of the date of this report, six main subsidiaries of the Group have been acknowledged as High and New Technology Enterprises by the Chinese authorities. Many other subsidiaries are currently in the process of application and are expected to be acknowledged, too.

Financial Review

	Six months ended 30 June 2010 RMB'000	Six months ended 30 June 2009 RMB'000
Turnover	**1,716,465**	1,017,205
Gross profit	**640,597**	391,115
Profit before tax	**486,027**	308,242
Income tax expense	**(59,959)**	(22,969)
Minority interests	**(19,862)**	(18,513)
Profit attributable to owners of the Company	**406,206**	266,760

Results

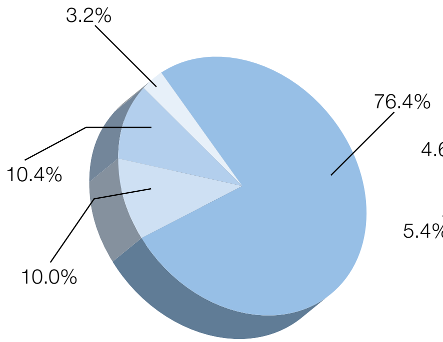
During the Review Period, the Group's turnover was approximately RMB1,716,465,000, representing an increase of approximately 68.7% from approximately RMB1,017,205,000 in the same period of 2009. The significant increase in turnover was mainly due to the rapid expansion of the Group's overseas business and its further consolidation of market shares in China as the overseas market recovered.

During the Review Period, the Group's profit attributable to owners of the Company was approximately RMB406,206,000, representing an increase of approximately 52.3% from approximately RMB266,760,000 in the same period of 2009. This was mainly attributable to the Group's focus on cost and expense control while achieving a significant turnover growth to maintain a good profitability.

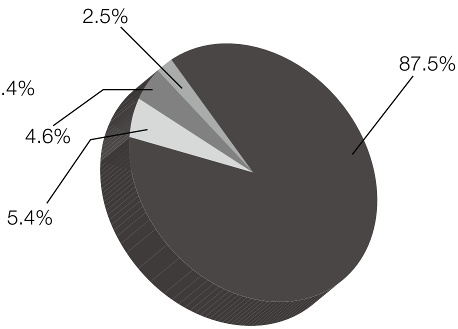
Segment Revenue

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

Customer category	Six months ended 30 June 2010 RMB'000	%	Six months ended 30 June 2009 RMB'000	%
China	1,311,926	76.4	890,070	87.5
Asia-Pacific	171,384	10.0	55,152	5.4
North America	177,867	10.4	46,364	4.6
Europe	55,288	3.2	25,619	2.5
Total turnover	1,716,465	100.0	1,017,205	100.0



Six months ended 30 June 2010



Six months ended 30 June 2009

2010		2009
76.4%	**China**	87.5%
10.0%	**Asia Pacific**	5.4%
10.4%	**North America**	4.6%
3.2%	**Europe**	2.5%

Gross Profit

During the Review Period, the Group's gross profit margin was approximately 37.3%, representing a decrease of approximately 1.1% from 38.4% in the same period of 2009. This was mainly due to the compounded effect of the price increase of international raw materials, the increase of labour costs and the price decrease of the products. The Group offset the negative impact of market factors by adopting measures including continuously improving its manufacturing process technologies, increasing material utilization rate and centralizing the procurement of materials to lock in the costs as well as continuously enhancing both the efficiency of production and management. All these efforts helped the Group in maintaining an overall decent level of gross profit margin.

Investment Income

During the Review Period, the investment income of the Group was approximately RMB17,995,000, representing a slight increase of approximately RMB325,000 from approximately RMB17,670,000 in the corresponding period of 2009.

Other Income

During the Review Period, other income of the Group amounted to approximately RMB20,463,000, which has increased by approximately RMB9,608,000 as compared to approximately RMB10,855,000 in the same period of 2009. This was mainly attributable to the increase in both government subsidies and sales income of materials.

Other Gains and Losses

During the Review Period, other gains and losses amounted to approximately RMB17,823,000 (gains), representing an increase of approximately RMB12,780,000 compared to approximately RMB5,043,000 in the same period of 2009. This was primarily due to the increase of income from forward exchange contracts adopted by the Group in the face of the risk of RMB appreciation.

Distribution and Selling Expenses

During the Review Period, the Group's overall distribution and selling expenses amounted to approximately RMB61,408,000, representing an increase of approximately RMB37,535,000 from approximately RMB23,873,000 in the same period of 2009. The proportion of distribution and selling expenses to the Group's turnover was approximately 3.6%, representing an increase of approximately 1.3% from approximately 2.3% in the same period of 2009. This was mainly due to the significant increase of logistics expenses as a result of the growth of overseas turnover. Further, the Group has been in an early stage of overseas business development which has led to the augment of selling expenses.

Administrative Expenses

During the Review Period, administrative expenses of the Group amounted to approximately RMB106,798,000, representing an increase of approximately RMB40,051,000 from approximately RMB66,747,000 in the same period of 2009. The proportion of administrative expenses to the Group's total turnover was approximately 6.2%, representing a decrease of approximately 0.4% as compared to approximately 6.6% in the corresponding period of 2009. This was mainly due to the Group's stringent control of administrative expenses so that the proportion of overall administrative expenses to turnover was maintained at a fairly low level.

Research Expenditures

During the Review Period, research expenditures of the Group amounted to approximately RMB73,364,000, representing an increase of approximately RMB29,746,000 from approximately RMB43,618,000 in the same period of 2009. The proportion of research expenditures to the Group's total turnover was approximately 4.3%, which remained at the same level as compared to approximately 4.3% in the same period of 2009. This was mainly attributable to the Group's continual increase in R&D expenditures so as to maintain its competitiveness and to sustain development through emphasis on technical innovations and enhancement of R&D capabilities.

Share of Profits of Jointly Controlled Entities

During the Review Period, the Group's share of profits of jointly controlled entities was approximately RMB10,890,000, which has increased by approximately RMB8,489,000 compared to approximately RMB2,401,000 in the same period of 2009. This was mainly due to the fact that during the Review Period, the Group's jointly controlled entity in North America recorded relatively high growth in profit and jointly controlled entity in China saw steady growth in profit.

Share of Profits of Associates

During the Review Period, the Group's share of profits of associates was approximately RMB22,547,000, representing an increase of approximately RMB6,067,000 compared to approximately RMB16,480,000 in the same period of 2009. This was mainly due to a steady growth in turnover of the Company's two associates as compared to that in the same period in 2009 which accounted for the increase in profits.

Taxation

During the Review Period, the Group's taxation was approximately RMB59,959,000, representing an increase of approximately RMB36,990,000 from approximately RMB22,969,000 in the same period of 2009. This was mainly due to the growth of profits before tax and the increase of tax rate.

During the Review Period, the Group's effective tax rate was approximately 12.3%, representing an increase of approximately 4.8% from approximately 7.5% in the same period in 2009. This was mainly due to certain subsidiaries with a 50% tax deduction period in 2010 instead of full tax exemption period in 2009 as well as the gradual increase of statutory tax rate during the transition period.

Non-Controlling Interests

During the Review Period, the Group's profits attributable to non-controlling interests were approximately RMB19,862,000, representing a slight increase of approximately RMB1,349,000 compared to approximately RMB18,513,000 in the same period of 2009.

Liquidity and Financial Situation

As of 30 June 2010, the Group's bank balances and cash totalled approximately RMB2,589,681,000, representing an increase of approximately RMB624,696,000 compared to approximately RMB1,964,985,000 as of 31 December 2009. As of 30 June 2010, the Group's low-cost borrowing due within one year amounted to approximately USD18,300,000, approximately Japanese yen ("JPY") 3,051,968,000 and approximately Thai Baht ("THB") 119,500,000 (equivalent to approximately RMB124,274,000, approximately RMB234,043,000 and approximately RMB25,059,000 respectively and approximately RMB383,376,000 in total), constituting an increase of approximately RMB51,602,000 compared to approximately RMB331,774,000 as of 31 December 2009, which was mainly due to the borrowings the Group brought in after considering the overall gains of exchange rate, interest rate and capital.

During the Review Period, the net cash flow from the Group's operating activities was approximately RMB216,711,000, which was in a sound status.

Receivables turnover days were approximately 64 days, which remained at a similar level as approximately 65 days as of 31 December 2009.

Payables turnover days were approximately 43 days, shortening 5 days as compared with approximately 48 days as of 31 December 2009. This was mainly due to the prepayment of most of the strategic reserves of raw materials purchased by the Group to lock in the costs in the face of the rapid increase of their prices.

Inventories turnover days were approximately 54 days, reduced by 5 days as compared with approximately 59 days as of 31 December 2009. This was mainly due to the Group's constant improvement of inventory management so that turnover days of inventories saw a decline trend.

As of 30 June 2010, the Group's current ratio was 4.8, which increased from 3.8 as of 31 December 2009. As of 30 June 2010, the Group's gearing ratio decreased from 6.9% as of 31 December 2009 to 6.3%.

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

The Group's borrowing requirements have no particular seasonality.

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

Commitments

As of 30 June 2010, the Group had the following commitments:

	RMB'000
Contracted for but not provided in the financial statements:	
– Acquisition of property, plant and equipment	51,473
– Capital injection to an associate	3,982
Authorised but not contracted for	
– Acquisition of property, plant and equipment	60,664
	116,119

Interest Rate and Foreign Exchange Risks

As at 30 June 2010, the Group's borrowing balance was approximately RMB383,376,000, with the equivalent of approximately RMB124,274,000 denominated in USD, the equivalent of approximately RMB234,043,000 denominated in JPY and the remaining equivalent of approximately RMB25,059,000 denominated in THB, of which approximately RMB182,193,000 at fixed interest rates and approximately RMB201,183,000 at floating interest rates. The aforesaid borrowings had no seasonality and would mature within one year.

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

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

As at 30 June 2010, the Group's cash and cash equivalents denominated in currencies other than the functional currencies of the respective group entities amounted to approximately RMB209,944,000 amongst which approximately RMB186,980,000 denominated in USD, approximately RMB13,696,000 denominated in HKD, approximately RMB4,800,000 denominated in JPY, approximately RMB4,447,000 denominated in EUR and the remaining approximately RMB21,000 denominated in other foreign currencies.

Contingent Liabilities

As of 30 June 2010, the Group had no contingent liabilities (2009: Nil).

Mortgaged Assets

As of 30 June 2010, the Group had borrowed approximately USD18,300,000 and approximately JPY2,063,053,000 (equivalent to approximately RMB124,274,000 and approximately RMB158,207,000 respectively) by mortgaging deposits of approximately RMB257,877,000 and borrowed approximately THB44,500,000 (equivalent to approximately RMB9,332,000) by pledging the freehold lands having a net book value of approximately RMB6,840,000. These loans are settled in USD, JPY and THB respectively (2009: the Group mortgaged a fixed deposits of approximately RMB162,667,000 with maturity period of one year and pledged the freehold lands having a net book value of approximately RMB6,674,000).

Capital Expenditure

During the Review Period, the Group's capital expenditure including investment in property, plant and equipment, construction in progress and land use rights amounted to approximately RMB133,562,000 (for the six months ended 30 June 2009: approximately RMB75,862,000). The increase in capital expenditures was attributable to the Group's expansion of the production capacity in China and improvement of the production network globally.

Placing and Subscription

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

Substantial Acquisitions and Disposals

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

Employees

As at 30 June 2010, the Group had a total number of 5,816 employees, representing an increase of 668 employees compared to that as at 31 December 2009. This was mainly due to the Group's overall expansion.

During the Review Period, the Group further enhanced human resources efficiency. Staff cohesion was increased while staff turnover rate was decreased through ongoing promotion of the organizational development strategy, stimulating employees' recognition of the Group's vision of the future and common missions, developing and securing multi-path staff promotion and professional development, strengthening the Group's care for staff, as well as the establishment of diversified communication channels. Further, staff efficiency of the Group was improved through a constant pursuit of human resources optimization. With the aforementioned measures combining increased investment in automation hardware, the Group's human resources costs will remain competitive in the future amid the general upward trend of external labor costs.

Directors

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

Executive Directors

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

Non-executive Directors

Mr. Mikio Natsume
Ms. Zheng, Yu

Independent non-executive Directors

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

Share Option Scheme

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

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

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

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

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

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

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

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

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

As at 30 June 2010 and pursuant to the Share Option Scheme, the total number of Share options the Board authorised to grant to the employees including the Directors and their connected persons amounted to 41,600,000 Share options. Details are as follows:

	Number of Shares (Note 1)							
Name or category of participants	Number of share options outstanding as at 1 January 2010	Granted during the Period	Exercised during the Period	Lapsed during the Period	Number of Shares outstanding as at 30 June 2010	Date of Grant (Note 3)	Exercising Period (Note 4)	Exercise price per share (HKD) (Note 5)
Directors, chief executives, and substantial shareholders and their respective connected persons								
Mr. Shi Jian Hui	250,000	–	–	–	250,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	250,000	–	–	–	250,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
	400,000	–	–	–	400,000	4-7-2008	1-2-2010 to 12-11-2013	5.34
	400,000	–	–	–	400,000	4-7-2008	1-2-2011 to 12-11-2013	5.34
Mr. Mu Wei Zhong	146,000	–	–	–	146,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	146,000	–	–	–	146,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
	300,000	–	–	–	300,000	4-7-2008	1-2-2010 to 12-11-2013	5.34
	300,000	–	–	–	300,000	4-7-2008	1-2-2011 to 12-11-2013	5.34
Mr. Zhao Feng	130,000	–	–	–	130,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	130,000	–	–	–	130,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
	300,000	–	–	–	300,000	4-7-2008	1-2-2010 to 12-11-2013	5.34
	300,000	–	–	–	300,000	4-7-2008	1-2-2011 to 12-11-2013	5.34

Name or category of participants	Number of Shares (Note 1) Number of share options outstanding as at 1 January 2010	Granted during the Period	Exercised during the Period	Lapsed during the Period	Number of Shares outstanding as at 30 June 2010	Date of Grant (Note 3)	Exercising Period (Note 4)	Exercise price per share (HKD) (Note 5)
Ms. Zhu Chun Ya (Note 2)	166,000	–	100,000	–	66,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	166,000	–	100,000	–	66,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
	225,000	–	–	–	225,000	4-7-2008	1-2-2010 to 12-11-2013	5.34
	225,000	–	–	–	225,000	4-7-2008	1-2-2011 to 12-11-2013	5.34
Subtotal	3,834,000		200,000	–	3,634,000			
Other Participants	2,675,000	–	2,024,000	–	651,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	2,675,000	–	2,024,000	–	651,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
	8,405,000	–	2,593,000	25,000	5,787,000	4-7-2008	1-2-2010 to 12-11-2013	5.34
	8,405,000	–	–	25,000	8,380,000	4-7-2008	1-2-2011 to 12-11-2013	5.34
Subtotal	22,160,000	–	6,641,000	50,000	15,469,000			
Total	25,994,000	–	6,841,000	50,000	19,103,000			

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

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

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

Note 4: The option period for the Share options granted on 1 February 2007 is for three years nine months and eleven days and such Share options vest in tranches beginning on the first anniversary of the date of grant as to 50%, and the remainder vesting on the second anniversary of the date of grant. The option period for the Share options granted on 4 July 2008 is for five years four months and eight days and such Share options vest in tranches beginning on 1 February 2010 as to 50%, and the remainder vesting on 1 February 2011.

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

During the Review Period, Ms. Zhu Chun Ya, the spouse of Mr. Zhao Feng (a Director), has exercised 200,000 Share Options. 6,641,000 Share Options have been exercised by persons who are not Directors of the Company. 50,000 Share Options lapsed due to resignations of persons who are not Directors of the Company.

Since the adoption of the Share Option Scheme to the date of this report, Mr. Mu Wei Zhong (a Director), Mr. Zhao Feng (a Director) and his spouse Ms. Zhu Chun Ya have exercised 208,000 Share Options, 240,000 Share Options and 368,000 Share Options, respectively. 17,283,000 Share Options have been exercised by persons who are not directors of the Company. 4,600,000 Share Options lapsed due to resignations of persons who are not Directors of the Company.

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

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

Outlook and Strategy

Many analysts believe that the Chinese passenger vehicle market has reached its peak where its growth rate is expected to decline and the market is expected to go down. However, the leading automakers and automobile parts makers are more likely to achieve cross-cycle growth. Under such background and with the steady recovery in the overseas market, the Company believes that there is still huge room for the Group's development. In China, apart from the traditional core customers, new and local customers whose numbers are steadily growing are also increasingly contributing to the turnover of the Group. Globally, the Group is confident that the integration of the international experiences of R&D and management and low-cost production bases will help it gain a larger market share and explore the most preferred development strategy during the restructuring of the industry. In the meantime, the Group pays close attention and actively participates in the low-carbon research and innovation in the passenger vehicle market and the automobile parts market. The Group will improve its market analysis and increase R&D investments, as well as develop new products and expand product lines to increase the dollar content per vehicle. All these efforts are expected to help the Group secure an initial advantage in the future development.

During the Review Period, several major labor disputes in China have caused wide concern about the Chinese labor cost advantages. However, the Group believes that such disputes had no material impact on the Group's cost structure and profit level. By balancing the global layout and optimizing internal management and staff training, the Group is expected to increase its efficiency and sales per employee, as well as maintain its competitiveness in labor cost. In addition, carrying out corporate culture training and staff care activities across the Group will help enhance the Group's cohesiveness and the loyalty of its staff, which will in turn contribute to steady and long-term development of the Group.

On 10 September 2010, the Company and the Nanhu Government in Jiaxing City, Zhejiang Province, entered into an investment agreement ("Investment Agreement") in respect of a state-owned land use rights transfer and preliminary investment. Pursuant to the Investment Agreement, the Company shall purchase state-owned use rights to an area in Nanhu District of approximately 350 mu (approximately 233,333 square meters) for the Company's projects.

For further details of the Investment Agreement, please refer to the announcement issued by the Company dated 10 September 2010.

Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (for the six months ended 30 June 2009: Nil).

Substantial Shareholders

As at 30 June 2010, the interests or short positions of substantial shareholders, other than the Directors or chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("the SFO") are as follows:

Name of Substantial Shareholder	Capacity	Long/Short position	Number of Shares	Percentage of the Company's Issued Share Capital
Wei Ching Lien	Interest of spouse	Long position	436,664,000 (Note 1)	40.83%
Linkfair	Beneficial owner	Long position	436,664,000 (Note 2)	40.83%
Commonwealth Bank of Australia	Interest of controlled corporations	Long position	80,296,000 (Note 3)	7.51%
Robert A. Karr	Interest of controlled corporations	Long position	64,398,781 (Note 4)	6.02%
Capital Research and Management Company	Interest of controlled corporations	Long position	53,594,000 (Note 5)	5.01%

Note 1: Since Ms. Wei Ching Lien is the spouse of Mr. Chin Jong Hwa, she was deemed to be interested in 436,664,000 Shares in which Mr. Chin was deemed to be interested.

Note 2: Linkfair, a company wholly owned by Mr. Chin, was interested in 436,664,000 shares.

Note 3: According to the information disclosed to the Company under Division 2 and 3 of Part XV of the SFO, these shares were held by corporations controlled directly or indirectly as to 100% by Commonwealth Bank of Australia.

Note 4: As at 30 June 2010, based on the disclosure of interests forms filed with the Stock Exchange, Mr. Karr has (i) 74.25% control over Joho Capital, L.L.C., an entity which is deemed by the SFO to be interested in 39,695,005 Shares in aggregate that are held by the three entities controlled by it and (ii) 74.25% control over RAK Capital, L.L.C., an entity which is deemed by the SFO to be interested in 24,703,776 Shares in aggregate that are held by the two entities controlled by it. Mr. Karr is therefore deemed by the SFO to be interested in 64,398,781 Shares in aggregate.

Note 5: The Capital Group Companies, Inc. owned 100% interest in Capital Research and Management Company and was therefore deemed to be interested in the shares and underlying shares of the Company in which Capital Research and Management Company was interested in.

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

As at 30 June 2010, the interests and short positions of the directors and the chief executives in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in Appendix 10 the Listing Rules, were as follows:

Name of Director	Company/ Name of Associated Corporation	Long/Short position	Nature of Interest	Total Number of Shares	Percentage of the Company's Issued Share Capital
Chin Jong Hwa	Company	Long position	Interest of controlled corporation (Note 1)	436,664,000	40.83%
Shi Jian Hui	Company	Long position	Beneficial owner	1,300,000 (Note 2)	0.12%
Mu Wei Zhong	Company	Long position	Beneficial owner	892,000 (Note 2)	0.08%
Zhao Feng	Company	Long position	Beneficial owner and interest of spouse (Note 3)	1,442,000 (Note 3)	0.13%

Note 1: Linkfair is beneficially interested in 436,664,000 Shares. Linkfair is wholly-owned by Mr. Chin and he is therefore deemed to be interested in the entire 436,664,000 Shares held by Linkfair. Since Ms. Wei Ching Lien is the spouse of Mr. Chin, she was deemed to be interested in 436,664,000 shares in which Mr. Chin was deemed to be interested.

Note 2: Upon exercise of the Share options under the Share option Scheme, Mr. Shi Jian Hui and Mr. Mu Wei Zhong will acquire 1,300,000 Shares and 892,000 Shares respectively.

Note 3: Upon exercise of the Share options under the Share Option Scheme, Mr. Zhao Feng and his spouse, Ms. Zhu Chun Ya, would acquire 860,000 Shares and 582,000 Shares respectively. Since Mr. Zhao Feng is the spouse of Ms. Zhu Chun Ya, he is deemed to be interested in the 582,000 Shares in which Ms. Zhu Chun Ya is interested in.

Other than as disclosed above, as at 30 June 2010, none of other directors, chief executive and their associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Purchase, Sale, or Redemption of the Company's Listed Shares

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2010.

Compliance with the Code on Corporate Governance Practices

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

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Company has been informed that they had complied with the Model Code during the Review Period.

Audit Committee

The Company has an Audit Committee consisting three independent non-executive Directors, namely Mr. Wu Fred Fong (chairman of the Audit Committee), Dr. Wang Ching and Mr. Zhang Liren. The Audit Committee reviews the Group's systems of internal control, the completeness and accuracy of the Group's financial statements and liaises on behalf of the Directors with external auditors. The Audit Committee members meet regularly with the management and external auditors to review audit reports as well as the interim and annual financial reports, as the case may be, of the Group. The Audit Committee has reviewed this interim report and the unaudited condensed consolidated financial statements for the six months ended 30 June 2010, and recommended their adoption by the Board.

By order of the Board
Minth Group Limited
Chin Jong Hwa
Chairman

Hong Kong, 25 August 2010

Report on Review of Interim Financial Information

To the Board of Directors of Minth Group Limited

Introduction

We have reviewed the interim financial information set out on pages 29 to 60, which comprises the condensed consolidated statement of financial position of Minth Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 August 2010

Condensed Consolidated Income Statement

for the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 (unaudited) RMB'000	2009 (unaudited) RMB'000
Turnover		1,716,465	1,017,205
Cost of sales		(1,075,868)	(626,090)
Gross profit		640,597	391,115
Investment income		17,995	17,670
Other income	4	20,463	10,855
Other gains and losses	5	17,823	5,043
Distribution and selling expenses		(61,408)	(23,873)
Administrative expenses		(106,798)	(66,747)
Research expenditures		(73,364)	(43,618)
Interest on bank borrowings wholly repayable within five years		(2,718)	(1,084)
Share of profits of jointly controlled entities		10,890	2,401
Share of profits of associates		22,547	16,480
Profit before tax		486,027	308,242
Income tax expense	6	(59,959)	(22,969)
Profit for the period	7	426,068	285,273
Attributable to:			
Owners of the Company		406,206	266,760
Non-controlling interests		19,862	18,513
		426,068	285,273
Earnings per share	9		
Basic		RMB0.403	RMB0.279
Diluted		RMB0.398	N/A

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2010

	Six months ended 30 June	
	2010 (unaudited) RMB'000	2009 (unaudited) RMB'000
Profit for the period	426,068	285,273
Other comprehensive income		
Exchange differences arising on translation of foreign operations	(3,287)	703
Fair value loss on available-for-sale financial assets	(25,989)	–
Other comprehensive income for the period (net of tax)	(29,276)	703
Total comprehensive income for the period	396,792	285,976
Total comprehensive income attributable to:		
Owners of the Company	376,608	266,965
Non-controlling interests	20,184	19,011
	396,792	285,976

Condensed Consolidated Statement of Financial Position

at 30 June 2010

	Notes	30 June 2010 (unaudited) RMB'000	31 December 2009 (unaudited) RMB'000
Non-current assets			
Property, plant and equipment	10	1,122,633	1,078,348
Prepaid lease payments		208,991	175,784
Goodwill		15,276	15,276
Other intangible assets	11	20,491	18,130
Interests in jointly controlled entities		56,816	47,835
Interests in associates		119,190	96,643
Available-for-sale investments	12	199,654	–
Loans to jointly controlled entities	13	41,405	52,384
Deferred tax assets		19,817	14,557
		1,804,273	1,498,957
Current assets			
Prepaid lease payments		5,732	4,113
Inventories		463,710	400,461
Loans to jointly controlled entities	13	28,321	28,906
Trade and other receivables	14	865,835	764,341
Derivative financial assets	15	8,563	–
Other financial assets	16	67,892	–
Pledged bank deposits		265,115	168,048
Bank balances and cash		2,589,681	1,964,985
		4,294,849	3,330,854
Current liabilities			
Trade and other payables	17	464,796	507,328
Tax liabilities		37,376	32,359
Borrowings	18	383,376	331,774
		885,548	871,461
Net current assets		3,409,301	2,459,393
Total assets less current liabilities		5,213,574	3,958,350

Condensed Consolidated Statement of Financial Position

at 30 June 2010

	Notes	30 June 2010 (unaudited) RMB'000	31 December 2009 (unaudited) RMB'000
Capital and reserves			
Share capital	19	108,516	99,385
Share premium and reserves		4,960,431	3,736,467
Equity attributable to owners of the Company		5,068,947	3,835,852
Non-controlling interests		129,824	111,331
Total equity		5,198,771	3,947,183
Non-current liabilities			
Deferred tax liabilities		14,803	11,167
		14,803	11,167
Total equity and liabilities		5,213,574	3,958,350

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2010

	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 2009 (audited)	98,414	1,883,342	276,199	27,823	89,995	11,159	–	(24,489)	23,570	886,513	3,272,561	74,640	3,347,201
Profit for the period	–	–	–	–	–	–	–	–	–	266,760	266,760	18,513	285,273
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	205	–	–	205	498	703
Total comprehensive income for the period	–	–	–	–	–	–	–	205	–	266,760	266,965	19,011	285,976
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	3,903	–	3,903	–	3,903
Transfer to reserve fund	–	–	–	–	4,261	–	–	–	–	(4,261)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(5,414)	(5,414)
Dividends recognised as distribution (note 8)	–	–	–	–	–	–	–	–	–	(126,883)	(126,883)	–	(126,883)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	6,772	6,772
Transfer to other reserve for share options after the vesting date	–	–	–	949	–	–	–	–	(949)	–	–	–	–
	–	–	–	949	4,261	–	–	–	2,954	(131,144)	(122,980)	1,358	(121,622)
At 30 June 2009 (unaudited)	98,414	1,883,342	276,199	28,772	94,291	11,159	–	(24,284)	26,524	1,022,129	3,416,545	95,009	3,511,555
At 1 January 2010 (audited)	99,385	1,955,852	276,199	28,772	94,291	11,159	–	(24,351)	17,734	1,376,811	3,835,852	111,331	3,947,183
Profit for the period	–	–	–	–	–	–	–	–	–	406,206	406,206	19,862	426,068
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(3,609)	–	–	(3,609)	322	(3,287)
Fair value loss on available-for-sale financial assets	–	–	–	–	–	–	(25,989)	–	–	–	(25,989)	–	(25,989)
Total comprehensive income for the period	–	–	–	–	–	–	(25,989)	(3,609)	–	406,206	376,608	20,184	396,792
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	1,956	–	1,956	–	1,956
Transfer to reserve fund	–	–	–	–	537	–	–	–	–	(537)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(1,691)	(1,691)
Dividends recognised as distribution (note 8)	–	–	–	–	–	–	–	–	–	(205,944)	(205,944)	–	(205,944)
Shares issued	8,530	1,036,134	–	–	–	–	–	–	–	–	1,044,664	–	1,044,664
Transaction costs attributable to issue of shares	–	(19,943)	–	–	–	–	–	–	–	–	(19,943)	–	(19,943)
Exercise of share options	601	41,545	–	–	–	–	–	–	(6,392)	–	35,754	–	35,754
	9,131	1,057,736	–	–	537	–	–	–	(4,436)	(206,481)	856,487	(1,691)	854,796
At 30 June 2010 (unaudited)	108,516	3,013,588	276,199	28,772	94,828	11,159	(25,989)	(27,960)	13,298	1,576,536	5,068,947	129,824	5,198,771

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

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

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

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 (unaudited) RMB'000	2009 (unaudited) RMB'000
Net cash from operating activities		216,711	264,070
Investing activities			
Interest received		15,570	16,213
Dividends received from jointly controlled entities		1,762	–
Dividends received from equity investments		3,367	–
Proceeds on redemption of other financial assets		1,160,081	40,913
Proceeds on disposal of property, plant and equipment		2,250	2,658
Purchases of property, plant and equipment		(96,291)	(75,410)
Purchases of available-for-sale investments		(159,578)	–
Investment in other financial assets		(1,283,292)	(90,000)
Prepaid rentals for lease premium for land		(37,271)	(452)
Purchases of other intangible assets		(7,673)	(4,642)
Acquisition of a subsidiary	22	–	1,419
Loans to jointly controlled entities		–	(6,000)
Repayment from jointly controlled entities		10,240	20,062
Increase in pledged bank deposits		(97,067)	(364)
Net cash used in investing activities		(487,902)	(95,603)

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2010

	Six months ended 30 June	
	2010 (unaudited) RMB'000	2009 (unaudited) RMB'000
Financing activities		
Interest paid	(2,718)	(1,084)
Dividends paid to owners of the Company	(205,944)	(126,883)
Dividends paid to non-controlling interests	(1,691)	(6,786)
Repayment of borrowings	(1,779,371)	(178,537)
New borrowings raised	1,831,267	297,670
Proceeds from exercise of share options	35,754	–
Proceeds from issue of shares	1,044,664	–
Transaction costs attributable to issue of shares	(19,943)	–
Capital contributions from non-controlling interests	–	6,772
Net cash (used in) from financing activities	902,018	(8,848)
Net increase in cash and cash equivalents	630,827	159,619
Cash and cash equivalents at beginning of the period	1,964,985	1,429,601
Effect of foreign exchange rate changes	(6,131)	981
Cash and cash equivalents at end of the period, represented by		
Bank balances and cash	2,589,681	1,590,201

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

2. Principal Accounting Policies

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

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

In accordance with transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. The adoption of amendment to HKAS 17 has no impact on condensed consolidated financial statements.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

3. Segment Information

The Group's operating segments, based on information reported to board of directors for the purposes of resource allocation and performance assessment are as follows:

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

For the six months ended 30 June 2010

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

For the six months ended 30 June 2009

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

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

Information about major customers:

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Customer A	259,157	151,619
Customer B	N/A[1]	132,421

The customers above are located in PRC.

1 The corresponding turnover of the customer did not contribute over 10% of the total turnover of the Group for the six months ended 30 June 2010. There is no other single customer, whose turnover accounted for over 10% of the total turnover of the Group for the six months ended 30 June 2010.

4. Other Income

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Government grants received (note)	2,691	1,058
Technology consulting income	4,336	545
Sales of scrap and raw materials	7,996	5,371
Property rental income	2,167	1,641
Others	3,273	2,240
Total	20,463	10,855

Note: The amount represents the incentive subsidies granted by the PRC local government authorities to the group entities involving in hi-tech know-how industry and product development activities. The government grants have been approved by and received from the PRC local government authorities without any unfulfilled conditions and other contingencies attached.

5. Other Gains and Losses

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Gain (loss) on disposal of property, plant and equipment	430	(161)
Net foreign exchange (loss) gain	(2,846)	900
Change in fair value of derivative financial assets	8,563	4,085
Change in fair value of financial assets designated as at FVTPL	13,453	1,783
Discount on acquisition of a subsidiary (note 22)	–	1,720
Allowance for bad and doubtful debts	(6)	(65)
Impairment for property, plant and equipment	(1,771)	–
Others	–	(3,219)
Total	17,823	5,043

6. Income Tax Expense

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Current tax:		
Hong Kong	–	2
PRC Enterprise Income Tax	60,950	22,563
Other jurisdictions	113	160
Withholding income tax paid	176	–
	61,239	22,725
Over-provision in prior years:		
PRC Enterprise Income Tax	(2,363)	(2,804)
Deferred tax		
Current period	1,083	3,048
	59,959	22,969

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

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

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group are still entitled to exemption from PRC income tax for two years starting from their first profit making year, followed by a 50% reduction for the next three years ("Tax Holidays") under a 5-year transitional provision starting from 1 January 2008. Therefore, the tax holidays will expire in 2012.

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

7. Profit for the Period

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Depreciation of property, plant and equipment	51,779	43,058
Amortisation of other intangible assets (included in cost of sales, administrative expenses and research expenditure)	5,312	3,673
Total depreciation and amortisation	57,091	46,731
Cost of inventories recognised	1,075,868	626,090
Reversals (write-down) of inventories	4,200	(5,483)

8. Dividends

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Dividends recognised as distribution during the period:		
2009 Final – HK$0.219 (2009: 2008 final dividend HK$0.151) per share	205,944	126,883

On 27 May 2010, a dividend of HK$0.219 per share (2009: HK$0.151 per share) was paid to shareholders as the final dividend for 2009.

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

9. Earnings Per Share

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**406,206**	266,760
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,008,865**	954,540
Effect of dilutive share options	**10,589**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,019,454**	954,540

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the placing on 19 April 2010 and the share options exercised during the six months ended 30 June 2010 and 2009 respectively.

No dilutive earnings per share have been presented for the six months ended 30 June 2009 because the exercise price of the Company's share options were higher than the average market price.

10. Property, Plant and Equipment

During the period, the Group spent approximately RMB95,601,000 (RMB75,055,000 for the six months ended 30 June 2009) on the construction of the manufacturing plant and acquisitions of plant and machinery in the PRC, Thailand and Mexico, in order to upgrade its manufacturing capabilities.

11. Other Intangible Assets

During the period, the Group spent approximately RMB7,673,000 (RMB4,642,000 for the six months ended 30 June 2009) on additions to technical know-how in order to upgrade its manufacturing capabilities.

12. Available-for-Sale Investments

Available-for-sale investments comprise:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Listed investments:		
– Equity securities listed in Japan	62,581	–
– Equity securities listed in PRC	137,073	–
	199,654	–

13. Loans to Jointly Controlled Entities

	Maturity date	Effective interest rate	Carrying amount 30 June 2010 RMB'000	31 December 2009 RMB'000
Fixed-rate loan receivable	6 June 2011	0.5% (note a)	28,321	28,906
Variable-rate loan receivable	five business days following written notice	Prime interest rate-0.5% (note b)	41,405	52,384
			69,726	81,290
Analysed as				
Current – unsecured			28,321	28,906
Non-current – secured (note b)			41,405	52,384
			69,726	81,290

Notes:

a. The amount included an amount of interest receivable of approximately RMB71,000 (RMB842,000 at 31 December 2009) which does not carry interest. During the six months ended 30 June 2010, both the Group and the jointly controlled entity agreed to extend the maturity date of the amount from 6 June 2010 to 6 June 2011.

b. The amount included an amount of interest receivable of approximately RMB660,000 (RMB193,000 at 31 December 2009) which does not carry interest. The loan is secured by the freehold land, buildings and plant and machinery of the jointly controlled entity. Pursuant to the loan agreement, there is no fixed maturity date for the loan to the jointly controlled entity, the amount will become payable upon the call of the Group five days in advance. The directors consider that the Group will not ask for the repayment within the following 12 months, therefore, the loan is presented as a non-current asset.

Loans to jointly controlled entities are denominated in United States Dollars ("USD"), the respective functional currency of the relevant group entities respectively.

14. Trade and Other Receivables

	30 June 2010 RMB'000	31 December 2009 RMB'000
Trade receivables		
– associates	16,601	20,105
– jointly controlled entities	16,212	7,744
– connected parties	21,735	32,675
– third parties	655,464	598,947
Less: allowance for doubtful debts	(2,843)	(2,853)
	707,169	656,618
Bill receivables	41,754	17,783
	748,923	674,401
Other receivables	48,414	24,438
Less: allowance for doubtful debts	(156)	(154)
	797,181	698,685
Prepayments	68,654	65,656
Total trade and other receivables	865,835	764,341

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

	30 June 2010 RMB'000	31 December 2009 RMB'000
Age		
0 to 90 days	718,788	656,358
91 to 180 days	20,548	11,612
181 to 365 days	8,737	5,710
Over 1 year	850	721
	748,923	674,401

15. Derivative Financial Assets

At 30 June 2010, the Group had a number of outstanding foreign exchange forward contracts. Derivative financial assets of RMB8,563,000 has been recognised in accordance with the fair value of the above foreign exchange forward contracts. These amounts are based on market prices quoted by the counterparty financial institutions at the reporting date.

At 31 December 2009, the Group has no significant outstanding foreign exchange forward contracts.

16. Other Financial Assets

	30 June 2010 RMB'000	31 December 2009 RMB'000
Financial assets designated as at fair value through profit or loss ("FVTPL")	67,892	–

As at 30 June 2010, the Group has entered into several outstanding contracts of equity linked securities with a financial institution for a period ranging from 1 month to 2 months respectively. Each of the entire contracts has been designated as FVTPL.

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

17. Trade and Other Payables

	30 June 2010 RMB'000	31 December 2009 RMB'000
Trade payables		
– associates	4,586	24,956
– jointly controlled entities	25,742	3,071
– connected parties	11,488	19,765
– third parties	256,909	257,572
	298,725	305,364
Payroll and welfare payables	42,523	60,073
Advance from customers	9,437	21,742
Consideration payable for acquisition of property, plant and equipment	23,295	23,985
Technology support service fees payable	23,378	22,473
Marketing and administration services fees payable to a jointly controlled entity	16,097	18,273
Others	51,341	55,418
	464,796	507,328

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

	30 June 2010 RMB'000	31 December 2009 RMB'000
Age		
0 to 90 days	287,440	299,472
91 to 180 days	9,592	3,535
181 to 365 days	3	240
1 to 2 years	1,063	2,007
Over 2 years	627	110
	298,725	305,364

18. Borrowings

During the current period, the Group obtained new bank loans amounting to RMB1,831,267,000 (RMB297,670,000 for the six months ended 30 June 2009). The loans bear interest at fixed and variable market rates and are repayable within one year. Repayments of bank loans amounting to RMB1,779,371,000 (RMB178,537,000 for the six months ended 30 June 2009) were made in line with the relevant repayment terms.

19. Share Capital

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2009, 30 June 2009, 31 December 2009 and 30 June 2010	5,000,000	500,000

	Number of shares '000	Share capital RMB'000
Issued and fully paid:		
At 1 January 2009 and 30 June 2009	954,540	98,414
Exercise of share options	11,016	971
At 31 December 2009	965,556	99,385
Issued of shares by private placement under general mandate	97,000	8,530
Exercise of share options	6,841	601
At 30 June 2010	1,069,397	108,516

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

These new shares, which were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 15 May 2009 and rank pari passu with other shares in issue in all aspects, were approved by the directors on 8 April 2010.

20. Share-Based Payment Transactions

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

	Number of share options
Outstanding at 1 January 2010	25,994,000
Exercised during the period	(6,841,000)
Forfeited during the period	(50,000)
Outstanding at 30 June 2010	19,103,000
Outstanding at 1 January 2009	39,065,000
Forfeited during the period	(1,455,000)
Outstanding at 30 June 2009	37,610,000

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

The Group recognised the total expense of RMB1,956,000 for the six months ended 30 June 2010 (RMB3,903,000 for the six months ended 30 June 2009) in relation to share options granted by the Company.

21. Commitments

	30 June 2010 RMB'000	31 December 2009 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
acquisition of property, plant and equipment	51,473	50,107
capital injection to an associate	3,982	4,004
Capital expenditure authorised but not contracted for in respect of:		
prepaid rentals for lease premium for land	–	25,484
acquisition of property, plant and equipment	60,664	–

22. Acquisition of a Subsidiary

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

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

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

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

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

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

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

23. Related Party Transactions and Connected Transactions

Save as disclosed in note 13, note 14 and note 17, during the Review Period, the Group has the following significant transactions with related/connected parties during the Review Period:

Relationship with related/connected party	Nature of transactions	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Jointly controlled entities, in which the Group has 50% equity interests (note)	Sales of finished goods	–	7,584
	Purchase of raw materials	–	13,372
	Property rentals income	–	578
	Interest income	–	141
Jointly controlled entities, in which the Group has 49% equity interests	Sales of finished goods	7,720	6,095
	Sales of raw materials	158	28
	Purchase of finished goods	25,046	–
	Purchases of raw materials	39,561	29,999
	Proceeds from disposal of property, plant and equipment	–	2,220
	Property rentals income	1,145	369
	Testing services income	264	9
	Testing services expense	59	299
A jointly controlled entity, in which the Group has a 49.82% equity interest	Sales of finished goods	16,985	351
	Sales of raw materials	–	–
	Property rentals income	310	312
	Interest income	666	1,327
	Consulting service income	2,524	–
	Sales of moulds	3,308	–

Note: On 30 June 2009, the Group acquired the remaining 50% interest of the jointly controlled entity, Jiaxing Kittel which became an indirectly wholly owned subsidiary of the Company after the acquisition. Therefore, there is no such related party transactions during the six months ended 30 June 2010.

Relationship with related/connected party	Nature of transactions	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Associates, in which the Group has 48% equity interests	Sales of finished goods	32,688	26,512
	Sales of raw materials	6,121	4,557
	Sales of moulds	1,593	–
	Purchase of raw materials	12,338	6,915
	Acquisition of equipments	–	39
	Property rentals income	616	607
	Testing services charges	646	242
	Technology support services charges	119	26
	Consulting service income	318	–
Non-controlling interests of subsidiaries	Sales of finished goods	99,607	51,400
	Sales of moulds	3,102	–
	Purchase of raw materials	43,006	38,444
	Technology support services charges	12,515	7,598
	Purchase of intangible assets	5,669	2,259
	Acquisition of equipments	148	893
	Interest expenses	427	–

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

The Directors represented that they considered the above transactions were carried out in the Group's ordinary and usual course of business and in accordance with the term of agreements governing these transactions.

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Short-term benefits	2,687	2,103
Post-employment benefits	8	7
Share-based payments	463	897
	3,158	3,007

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