MINTH GROUP LIMITED

敏實集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 425

ANNUAL REPORT 2011

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 (redesignated from an executive Director to a non-executive Director on 21 March 2012)

Independent non-executive directors

Wang Ching
Zhang Liren
Wu Fred Fong

COMPANY SECRETARY

Loke Yu

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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Website: www.minthgroup.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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138 Gloucester Road
Hong Kong

PRINCIPAL BANKERS

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

China Construction Bank
Jiaxing branch
198 Ziyang Street
Jiaxing
China

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

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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
Century Yard, Cricket Square
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				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
Result					
Turnover	1,408,747	1,966,464	2,544,680	3,575,594	**3,889,405**
Profit before tax	394,011	474,922	721,419	972,399	**962,941**
Income tax expense	(28,196)	(36,323)	(62,724)	(122,690)	**(136,011)**
Profit for the year	365,815	438,599	658,695	849,709	**826,930**
Attributable to:					
Owners of the Company	359,865	424,110	621,442	811,172	**787,318**
Non-controlling interests	5,950	14,489	37,253	38,537	**39,612**
	365,815	438,599	658,695	849,709	**826,930**

	As at 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011** **RMB'000**
Assets and Liabilities					
Total assets	3,412,728	3,707,120	4,829,811	6,700,837	**7,832,893**
Total liabilities	(416,093)	(359,919)	(882,628)	(1,067,844)	**(1,590,420)**
	2,996,635	3,347,201	3,947,183	5,632,993	**6,242,473**
Equity attributable to owners of the Company	2,957,569	3,272,561	3,835,852	5,521,276	**6,087,225**
Non-controlling interests	39,066	74,640	111,331	111,717	**155,248**
	2,996,635	3,347,201	3,947,183	5,632,993	**6,242,473**

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 2011 (the "Review Year").

2011 was a year of the expected and unexpected laggards, of which the natural catastrophes such as the Tōhoku earthquake in Japan and the flood in Thailand were unexpected while the industry growth slowdown and wage inflation were predicted to some extent. The Group, under all these unfavourable factors, reported a financial performance not that exciting as the previous years.

During the Review Year, the Group's turnover was approximately RMB3,889,405,000, representing an increase of approximately 8.8% from approximately RMB3,575,594,000 in 2010. In particular, the Group's turnover that came from the overseas markets amounted to approximately RMB1,032,271,000, representing a growth of approximately 22.7% from approximately RMB841,380,000 in 2010. The profit attributable to owners of the Company was approximately RMB787,318,000, representing a decrease of approximately 2.9% from approximately RMB811,172,000 in 2010. The Group's gross profit was approximately RMB1,362,604,000, representing an increase of approximately 4.2% from approximately RMB1,307,438,000 in 2010.

However, the management and I would rather take the 2011 slowdown as a chance for the Group to focus on the enhancement of its core competence.

OPERATION AND STRATEGIC MOVES

During the Review Year, the Group continued its investment in research and development ("R&D") and further deepened its strategy of globalization. Accordingly, new orders were awarded, the Group's capability of concurrent design was improved, its overseas footholds were reinforced and the valuable talents from different cultural background were bonded during the Review Year which would certainly help the Group with its overall growth in the long term.

Regarding the new businesses and new products, the Group followed its long time strategy, which is proactive and prudent. During the Review Year, the Group made some forward-looking investment to lay ground for the future extension of its product line-ups and closely monitored the potential risks.

On 17 May 2011, the Group and Toyota Auto Body Co., Ltd. ("TAB") entered into an agreement for the formation of Jiaxing TAB-MINTH Mobility Equipment Co., Ltd., a joint venture company which will be engaged in the welfare vehicle business.

On 28 September 2011, the Group entered into a joint venture agreement with Tokai Kogyo Co., Ltd. ("Tokai Kogyo") to establish Wuhan Tokai Minth Automotive Parts Co., Ltd. ("Wuhan Tokai") in Wuhan, a joint venture company which will be engaged in design, manufacture and sale of resin products, plastic injection products and key automobile parts.

On 7 March 2011, the Group as the purchaser, entered into a share purchase agreement with Korea Fuel-Tech Corporation ("KFTC") and Mr. Chung Koo Lee for the acquisition of 45% equity interest in Beijing KFTC Co., Ltd. ("Beijing KFTC"). Due to the changes in the market which affect the Group's consideration on the long-term commercial interests, it ceased the acquisition of 45% equity interest in Beijing KFTC on 3 February 2012, but continued to keep the commercial relationship with KFTC.

After years of development, the Group now has a more complete network in China and broader presence in the other regions globally, a preferable position in the domestic market and growing importance in the overseas markets, very vertically integrated design and manufacturing chain and improved global response capability.

Based on the belief of the long-term growth of the passenger vehicle market in China and the spacious room in global markets, I would be glad to see the Group to insist on the approach heading towards the goal it has set forth all long.

IMPROVING INTERNAL MANAGEMENT

With the view of globalization and for the goal to be an important player in the world market, the Group has to face the challenges arising from the cross-culture integration and the management efficiency. The Group restructured the control and cooperation model between its head offices and regional departments, arranged internal trainings and established a mutual learning mechanism.

INVESTOR RELATIONS AND COMMUNICATION

The Group's Investor Relations Department has been dedicated to effective communication with Hong Kong and international investors through analysts' briefings, roadshows, reception of routine visits by investors as well as maintaining corporate website, so as to ensure that investors receive timely and accurate information about the latest developments of the Company, thus helping to enhance the transparency of the Company.

FUTURE PROSPECT

China's passenger vehicle market is still at a growth phase, but the pressure coming from the wage inflation, RMB appreciation, potential price war among the car manufacturers, change of relevant policies in China market and the temporary volatility in the global economy may possibly impact the Group's margin.

It has been my belief that globalization would be an appropriate way to mitigate the pressure and could provide the Group with a spacious room, higher platform and more possibilities of future development.

On the other hand, the Group, which has started to set foot in the aftermarket products, electric vehicle parts and welfare vehicle and equipment may benefit from the trend of vehicles with better quality, individualization and better energy efficiency becoming the main stream of the market demand.

APPRECIATION

On behalf of the Board of Directors, I would like to express my heartfelt gratitude to our management and employees for their loyalty, diligence and hard work for the Group during the Review Year. At the same time, 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
20 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the Review Year, the production and sales of China's passenger vehicle were approximately 14,485,300 units and approximately 14,472,400 units respectively, representing an increase of approximately 4.23% and approximately 5.19% respectively, witnessed weaker growth as compared to last year. Reasons varied from the natural disasters such as the Tōhoku earthquake in Japan, to the reasonable adjustment to the growth pace of China passenger vehicle industry and to the uncertainties arising from the global economy fluctuation.

During the Review Year, the overall growth rate was approximately 7% in the global vehicle market. Performance of vehicle markets in the emerging countries differed: the growth rate in production and sales of Brazil's vehicle market fell while that of Russia's and India's maintained high. In the developed countries, the vehicle market of the United States (the "US") benefited from its economic recovery and began to grow while the European vehicle market experienced a sustained downturn as a result of the debt crisis. The production and sales of Japanese vehicle slumped due to the pressure of its economic downturn and natural catastrophe.

As for the auto part industry, due to the increase in domestic labour costs and fluctuation in the foreign exchange rates, manufacturing enterprises in China had to seek support for their profits and mitigate their risks by approach of globalization. Meanwhile, given the volatile international economy, OEMs requested part suppliers to enhance their global supplying competence.

COMPANY OVERVIEW

The fundamental operations of the Group did not change during the Review Year, which was still 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, the Tōhoku earthquake in Japan spelled negative impacts on the Japanese OEMs in China, who are the Group's major customers. However, the Group managed to maintain a positive growth in its domestic turnover with its great effort in rationalising its customer structure, focusing on technological innovation, strengthening quality control and centralized procurement as well as optimising management structure. With the market upturn, gradual resumption of production by customers in the second half of the Review Year and sustained contribution from overseas turnover, the Group still recorded certain increase in turnover for the Review Year.

Business and Operation Layout

During the Review Year, the domestic turnover of the Group was approximately RMB2,857,134,000, representing an increase of approximately 4.5% as compared to approximately RMB2,734,214,000 for last year. With the gradual commencement of production of the plants located in Thailand and Mexico, and the increase in export arising from the recovery of the US market and OEMs' global procurement strategy, the Group's overseas turnover maintained a sustainable growth to approximately RMB1,032,271,000, representing an increase of approximately RMB190,891,000 or approximately 22.7% as compared to approximately RMB841,380,000 for last year.

The Group has further expanded its customer coverage across the globe. Audi Germany, Dongfeng Yulon, GAC Mitsubishi, GAC FIAT and Renault Romania are some of its new customers. Meanwhile, the Group made breakthrough into products of genuine service parts which were supplied to Dongfeng Honda. By way of optimising its customer mix and strengthening the relationship with its key customers, during the Review Year, the Group secured more global orders from Nissan Motor, consolidated business partnership with Toyota China, which would in turn enhance the Group's penetration in Toyota China and laid a solid foundation for expanding together with Toyota's global business. The Group has also successfully provided BMW with concurrent design in China, North America and Europe and has become a global supplier of BMW.

On 17 May 2011, the Group and TAB entered into an agreement for the formation of Jiaxing TAB-MINTH Mobility Equipment Co., Ltd., a joint venture company which is engaged in the welfare vehicle business. The Group hopes to capture the opportunities arising from rapidly growing demand for rehabilitation products in China and gain market share at an early stage of the niche market by leveraging on technological reserve and abundant experience of TAB. Further, the Group may build a closer relationship with Toyota Motor Corporation by virtue of such cooperation. On 28 September 2011, the Group and Tokai Kogyo established Wuhan Tokai, a joint venture company which is accounted for as a subsidiary of our Company. The formation of a joint venture company is complementary to the Group's core business and may help further expand the Group's product series. For further information on the aforesaid joint venture companies, please refer to the Company's announcements dated 17 May 2011 and 28 September 2011, respectively.

During the Review Year, the commencement and operation of the new production base of seat frame system has further increased the Group's sales and market share of such products and enriched the Group's product line-ups, which would gradually help to diversify the profit sources of the Group.

Meanwhile, the Group has been exploring both domestic and overseas markets taking them both as components of the global market. It has established and enlarged the domestic production bases in Liuzhou, Wuhan and Huai'an, consolidated the existing overseas production bases, and explored emerging markets in a proactive and progressive manner to meet the needs and plans of its customers and to refine the global layout.

Due to the changes in the market which affect the Group's consideration on the long-term commercial interests, the Company ceased the acquisition of 45% equity interest in Beijing KFTC on 3 February 2012, but continued to keep the commercial relationship with KFTC. For details, please refer to the Company's announcements dated 7 March 2011 and 3 February 2012.

Research and Development ("R&D")

During the Review Year, the Group continued to invest in R&D with a view to improving the condition for R&D and upgrading the facilities, which in turn would support the Group's expansion of its product line-up and provide technological reserve for exploring new business areas. During the Review Year, the Group has laid certain technological foundation for R&D of the new businesses such as welfare vehicle parts, new energy vehicle and its relevant parts. The results of research on the electronic products and system integration have been launched in the market. The provision of global concurrent design service for products has brought more opportunities of high quality business and global opportunities which are expected to become the Group's new competitive advantage.

During the Review Year, the Group has built up an international professional research team through introducing more extensive international research personnel, increasing technical know-how exchange between domestic and overseas research teams as well as keeping abreast of the trend of international technological development.

During the Review Year, the Group filed 209 patent applications for approval and 181 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 RMB3,889,405,000, representing an increase of approximately 8.8% from approximately RMB3,575,594,000 in 2010. The growth rate of the turnover has slowed down, resulting from a decline in the growth of the passenger vehicle industry within the PRC and the effects under the Tōhoku earthquake in Japan. However, capitalising on the Group's insightful marketing strategy, a growth of approximately 22.7% was recorded for overseas markets, achieving an overall growth higher than the average in the global automobile market.

During the Review Year, the profit attributable to owners of the Company was approximately RMB787,318,000, representing a decrease of approximately 2.9% from approximately RMB811,172,000 in 2010. This was mainly attributable to an increase in staff costs as the Group enhanced employee benefits, granted new share options as an incentive and recruited more senior international talents to promote long-term sustainability as well as the diminishing economies of scale due to the slow down of the growth in turnover.

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 the world's leading automakers.

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

Customer category	2011 RMB'000	2011 %	2010 RMB'000	2010 %
The PRC	2,857,134	73.5	2,734,214	76.5
Asia Pacific	299,383	7.7	280,194	7.8
North America	556,776	14.3	439,942	12.3
Europe	176,112	4.5	121,244	3.4
Total	3,889,405	100.0	3,575,594	100.0

Overseas Market Turnover

During the Review Year, the Group's turnover from the overseas markets was approximately RMB1,032,271,000, representing a growth of approximately 22.7% from approximately RMB841,380,000 in 2010. The proportion of such turnover grew to approximately 26.5% of the total in 2011 from approximately 23.5% in 2010.

Gross Profit

During the Review Year, the Group's gross profit was approximately RMB1,362,604,000, representing an increase of approximately 4.2% from approximately RMB1,307,438,000 in 2010. The gross profit margin was approximately 35.0% in 2011, representing a decrease of approximately 1.6% from approximately 36.6% in 2010. This was mainly due to the pressure arising from increase of the raw material price in the international markets, increase of labour costs, appreciation of the RMB and a reduction in the price of the Group's products as well as a slow down of the growth in turnover. In order to offset the unfavorable impact of market forces, the Group undertook measures, including continuous improvement in the manufacturing processes and technologies, a greater utilisation rate of materials and implementation of a centralised 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 RMB133,239,000, representing an increase of approximately RMB49,143,000 as compared to approximately RMB84,096,000 in 2010. This was mainly attributable to an increase in both government subsidies and other service income.

Other Gains and Losses

During the Review Year, the Group's other gains and losses amounted to a net gain of approximately RMB6,382,000 which mainly represents gain on change in fair value of forward exchange contracts entered into by the Group.

Distribution and Selling Expenses

During the Review Year, the Group's distribution and selling expenses amounted to approximately RMB130,942,000, representing a decrease of approximately RMB1,175,000 from approximately RMB132,117,000 in 2010. The proportion of the Group's turnover for the Review Year was approximately 3.4%, representing a decrease of approximately 0.3% from approximately 3.7% in 2010. A reduction in logistics costs by effective logistics integration contributed to this performance.

Administrative Expenses

During the Review Year, the administrative expenses of the Group amounted to approximately RMB310,262,000, representing an increase of approximately RMB77,397,000 from approximately RMB232,865,000 in 2010. The proportion of the Group's turnover for the Review Year was approximately 8.0%, representing an increase of approximately 1.5% as compared to approximately 6.5% in 2010. This was mainly due to the increase in labour costs in maintaining the Group's competitiveness, the increase in the costs incurred from the development of new businesses by the Group, as well as a slow down in the growth of the Group's turnover.

Research Expenditures

During the Review Year, the research expenditures of the Group amounted to approximately RMB209,377,000, representing an increase of approximately RMB26,532,000 from approximately RMB182,845,000 in 2010. The proportion of the Group's turnover for the Review Year was approximately 5.4%, representing an increase of approximately 0.3% from approximately 5.1% in 2010. This was mainly attributable to the Group's continuous increase in R&D expenditures in order to maintain its market competitiveness and sustainability through the promotion of technological innovations and enhancement of R&D capabilities.

Share of Profits of Jointly Controlled Entities

During the Review Year, the Group's share of profits of jointly controlled entities was approximately RMB18,938,000 which remained flat as compared to approximately RMB19,535,000 in 2010.

Share of Profits of Associates

During the Review Year, the Group's share of profits of associates was approximately RMB34,320,000, representing a decrease of approximately RMB11,909,000 or approximately 25.8% as compared to approximately RMB46,229,000 in 2010. This was mainly due to the high exposure to the Japanese OEMs by two associates of the Group, and the fact that their profits decreased resulting from a temporary production disruption of Japanese OEMs in the aftermath of the Tōhoku earthquake in Japan.

Income Tax Expense

During the Review Year, the Group's income tax expense was approximately RMB136,011,000, representing an increase of approximately RMB13,321,000 from approximately RMB122,690,000 in 2010.

During the Review Year, the effective tax rate was approximately 14.1%, representing an increase of approximately 1.5% from approximately 12.6% in 2010. This was mainly due to the fact that statutory tax rate for certain subsidiaries gradually increased during the transition period, resulting in the increase of the effective tax rate.

Non-controlling Interests

During the Review Year, the Group's profit attributable to non-controlling interests was approximately RMB39,612,000 which remained flat as compared to approximately RMB38,537,000 in 2010.

Liquidity and Financial Resources

As of 31 December 2011, the Group's bank balances and cash amounted to approximately RMB3,791,701,000, representing an increase of approximately RMB633,476,000 as compared to approximately RMB3,158,225,000 as of 31 December 2010. This increase was mainly derived from the Group's sound operating profit and strong operating cash flows. As of 31 December 2011, the Group's low-cost borrowings amounted to approximately RMB825,824,000, among which the equivalent of approximately RMB193,281,000, approximately RMB384,355,000, approximately RMB243,210,000 and approximately RMB4,978,000 were denominated in Japanese Yen ("JPY"), US Dollar ("USD"), Hong Kong Dollar ("HKD") and Thai Baht ("THB") respectively, representing an increase of borrowings of approximately RMB418,374,000 as compared to approximately RMB407,450,000 as of 31 December 2010. The increase was mainly due to the borrowings the Group brought in, considering the consolidated gains from capital structure optimisation, favorable interest rates and expected exchange rate fluctuations.

During the Review Year, the net cash flow from the Group's operating activities was approximately RMB763,934,000, indicating a sound cash flow condition.

During the Review Year, the Group's current ratio decreased from approximately 4.5 in 2010 to approximately 3.6. As of 31 December 2011, the Group's gearing ratio increased to approximately 10.5% from approximately 6.1% in 2010, which was a percentage based on the interest-bearing borrowings divided by total assets.

During the Review Year, inventory turnover days were approximately 53 days, extending 3 days as compared to approximately 50 days in 2010. These were mainly due to the higher development process costs associated with the increase in projects, and a relatively longer turnover days for overseas inventories as a result of an increase in overseas turnover.

During the Review Year, receivables turnover days were approximately 71 days, extending 4 days from approximately 67 days in 2010. This was mainly due to the continuous growth of turnover from overseas markets, and the fact that the receivables turnover days of overseas customers were longer than the average repayment days of the Group.

During the Review Year, payables turnover days were approximately 44 days, which remained at a similar level as approximately 44 days in 2010.

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 2011, 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	107,448

INTEREST RATE AND FOREIGN EXCHANGE RISKS

As of 31 December 2011, borrowing balance was approximately RMB825,824,000, of which approximately RMB7,545,000 was bearing interest at fixed interest rates, and approximately RMB818,279,000 was bearing interest at floating interest rates. The aforesaid borrowings had no seasonality and would mature within one year. In addition, approximately RMB820,846,000 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 RMB193,281,000, approximately RMB384,355,000 and approximately RMB243,210,000 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 the foreign currency risk.

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

As at 31 December 2011, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB297,531,000, of which the equivalent of approximately RMB245,739,000 was denominated in USD, approximately RMB19,833,000 was denominated in HKD, approximately RMB23,233,000 was denominated in EURO, and approximately RMB8,726,000 was denominated in JPY. In order to minimise the foreign exchange risk, the Group has delegated a team responsible for the planning of related work.

CONTINGENT LIABILITIES

As of 31 December 2011, the Group had no contingent liabilities (2010: Nil).

MORTGAGED ASSETS

As of 31 December 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 repayment currency for these borrowings was JPY (2010: the Group had borrowings of approximately JPY548,152,000 (equivalent to approximately RMB44,543,000), secured by bank deposits of approximately USD8,584,000). The Group has also pledged freehold lands and buildings having a net book value of approximately RMB19,910,000 (31 December 2010: approximately RMB21,930,000) to secure general banking facilities granted to the Group.

CAPITAL EXPENDITURE

Capital expenditure includes acquisition of equipment, plant and property, increase in construction in progress and new addition of land use rights. During the Review Year, the Group's capital expenditure amounted to approximately RMB458,374,000 (2010: the Group's capital expenditure amounted to approximately RMB382,837,000). The increase in capital expenditure was attributable to the Group's expansion of production capacity and the increase of production facilities and land bank.

PLACING AND SUBSCRIPTION

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

SUBSTANTIAL ACQUISITIONS AND DISPOSALS

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

EMPLOYEES

As of 31 December 2011, the Group had a total number of 6,471 employees, representing an increase of 118 employees as compared to that as of 31 December 2010. This was mainly due to the introduction of international talents for the development of new businesses of the Group and exploration of overseas business. The total labour costs in 2011 accounted for approximately 13.5% of the turnover, representing an increase of approximately 3.4% as compared to approximately 10.1% in 2010. This was mainly attributable to an increase in labour costs as the Group enhanced the employees' benefits, granted new share options as an incentive and recruited more senior international talents for its long-term sustainable development.

A team of intelligent, enterprising, diligent and faithful staff is the key element for the Group's success in becoming an international auto part manufacturer. The Group has adopted various measures in cultivating a team of international talents and strengthening the Group's core competitiveness.

The Group has established a competitive remuneration system and maintained a stable workforce. Meanwhile, it has actively introduced appropriate high-caliber management talents and professionals domestically and from abroad to match up with the Group's strategies, which in turn would enhance the Group's operation efficiency and global competitiveness. During the Review Year, the Group has streamlined its talents team and introduced a management model with dual career paths which provided its employees with a broader platform for their career growth, and restructured the control and cooperation model between the Group and regional departments, which in turn completely enhanced the organisation and team efficiency. By putting efforts into promoting the Group's people-oriented spirit, enshrining values and managing corporate culture, the Group wishes to maintain employees' physical and mental health and create a sense of belongings, which in turn would provide the Group with a solid foundation for sustainable development of human resources.

SHARE OPTION SCHEME

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

FUTURE PROSPECTS

Despite the fluctuation during the Review Year, China's passenger vehicle market is still in its ascending channel and far from saturation. Looking forward to 2012, it is expected that China's passenger vehicle market will shift its focus to services and brand competition and structure adjustment. With the increasingly obvious trend of the upgrade in consumption, vehicles with better quality, individualization and low energy consumption will be the main stream of market demand. China's macro-economic adjustments, new vehicle and vessel tax law of China, together with three guarantees policy for repair, replacement or compensation of faulty vehicles that might be implemented will create more opportunities for the aftermarket of automobile.

Facing the change of the market demand, the Group will strengthen its competitiveness in terms of products, R&D and business. The Group will continue to expand its product line-ups, conduct vertical integration of value chain and development of system integration products, and improve the production and R&D of system integration products such as seat frame system and production of rubber products and aluminum products. By enhancing its R&D capacities, the Group aims at improving production quality and operation efficiency as well as realising a shift of its focus to higher value-added products. Furthermore, the Group will continue to enhance its global network to meet its customers' needs, seek more global orders which would bring sustainable and stable growth for the Group, and alleviate pressure arising from China's labour costs and appreciation of RMB by way of a global layout.

For the mid-to-long term, aftermarket will become the largest source of profits in China's passenger vehicle market apart from sales of vehicles. Benefiting from the visionary strategy of investing at low-cost in the initial period, the gradual expansion in the business of aftermarket and new energy vehicle and parts will better complement the future development of the Group. As the Group will expand into the special utility vehicle market via its welfare vehicle and parts business, the development of China's special utility vehicle market will also bring benefits to the Group.

The Group's goal is to become a leading company in the global automotive part industry. The Group believes that it will realise its sustainable development goals by continuing improvement, leveraging on its abundant industry experience, replicating its mature production management model for its global operations, building up a team of international talents, and setting up a flexible and efficient operation mechanism.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Chin Jong Hwa (秦榮華) ("Mr. Chin"), aged 53, is the Chairman of the Company and an executive Director. 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 20 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 2011, Mr. Chin is interested in 40.56% shareholding interest in the Company through Linkfair Investments Limited ("Linkfair"), a company wholly owned by Mr. Chin which held 436,664,000 Shares as at 31 December 2011. As at 31 December 2011, save as aforesaid, Mr. Chin has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Shi Jian Hui (石建輝) ("Mr. Shi"), aged 39, is the Chief Executive Officer ("CEO") of the Company and an executive Director. 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 2011, 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 43, is the Vice President of the Company and an executive Director, with the overall responsibilities for the Group's sales. Mr. Zhao has over 12 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 2011, 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. Hence accordingly Mr. Zhao was interested in 154,000 Shares and 2,050,000 Share Options in the Company. 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 52, 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 20 years in management. Mr. Kawaguchi joined the Group in 2011 and was appointed as a Director on 18 May 2011. As at 31 December 2011, 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

Mikio Natsume (夏目美喜雄) ("Mr. Natsume"), aged 71, is a non-executive Director and has more than 49 years of working experience in auto-parts manufacturing industry in Japan. Before joining the Company, Mr. Natsume had worked in Aisin Seiki Co., Ltd. (formerly known as Shinkawa Kogyo Co., Ltd.) since 1963, where he served as the manager of International Planning Department, director, executive director, senior managing director, executive vice president and vice-chairman of the board successively. Mr. Natsume received his bachelor's degree in Economics in Kanagawa University. Mr. Natsume was a director of Aisin Seiki Co., Ltd. and Exedy Corporation, both being companies listed on the Tokyo Stock Exchange. Mr. Natsume was appointed as a Director of the Company on 1 January 2008 and was re-appointed on 2 December 2008 and 2 December 2009 and 18 May 2011. As at 31 December 2011, Mr. Natsume has no interests in the Shares of the Company within the meaning of Part XV of the SFO. Mr. Natsume resigned as a non-executive Director with effect from 21 March 2012.

Yu Zheng (鄭豫) ("Ms. Zheng"), aged 43, is a non-executive Director. Ms. Zheng has worked in the computer industry both in China and the United States for many years. She has also accumulated over 15 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 from the University of Texas at Austin. Ms. Zheng was appointed as a Director of the Company on 1 January 2008 and was reappointed on 2 December 2008, 2 December 2009, 2 December 2010 and 18 May 2011. As at 31 December 2011, 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 39, 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 18 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 Director on 18 May 2011. As at 31 December 2011, 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.

Mu Wei Zhong (穆偉忠) ("Mr. Mu"), aged 46, is a non-executive Director. Mr. Mu has experience of over 20 years in engineering. Before joining one of Mr. Chin's companies in 1993, Mr. Mu worked at Zhejiang Shipyard as an assistant engineer. Prior to his current position, Mr. Mu was the Chief Operating Officer ("COO") and an executive director of the Company. Before that, he served in various members of the Group as member of the production management team, sales manager, deputy manager, financial controller and general manager successively. Mr. Mu graduated from Wuhan University of Water Transportation Engineering with a bachelor's degree in Vessel Design and Manufacture. He obtained an EMBA degree from the School of Management, Fudan University in 2007. Mr. Mu joined the Group in March 1997 and was appointed as a Director on 14 July 2005. As at 31 December 2011, save for his interest in 112,000 Shares and 1,600,000 Share Options in the Company, Mr. Mu has no interests in the Shares of the Company within the meaning of part XV of the SFO. Mr Mu was re-designated from being an executive director to a non-executive director with effect from 21 March 2012.

Independent Non-executive Directors

Wang Ching (王京) ("Dr. Wang"), aged 57, is an independent non-executive Director and the chairman of the Nomination Committee of the Company. Dr. Wang has over 20 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 Honk Kong Securities and Futures Commission. He is also 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 is also an independent non-executive director of China Singyes Solar Technologies Holdings Limited and Yingde Gases Group Company Limited, both of which are listed on the Stock Exchange. Besides, Dr. Wang also serves as 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 2011, 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 65, is an independent non-executive Director and the chairman of the Remuneration Committee of the Company. Mr. Zhang has experience of over 40 years 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 2011, 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 64, has been an independent non-executive Director and Chairman of the Audit Committee of the Company since 1 January 2009. Mr. Wu has considerable experience in auditing, corporate planning, corporate finance, investment, consulting and administration with public companies in Canada and Hong Kong. Mr. Wu holds a master's degree in Business Administration 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 was an executive Director of VODone Limited, a company listed on the Stock Exchange, for eight years. Currently, Mr. Wu is the chief financial officer of Heng Xin China Holdings Limited and an independent non-executive director of China Public Procurement Limited, both of which are listed on the Stock Exchange. As at 31 December 2011, 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 62, is the Company Secretary of the Company. Dr. Loke has over 37 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration 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, Bio-Dynamic Group Limited, China Fire Safety Enterprise Group Limited, Winfair Investment Company Limited, SCUD Group Limited, Zhong An Real Estate Limited, and Chiho-Tiande Group 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 2011, 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 40, 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 18 years of experience in accounting and financial management. Prior to joining the Group in March 2005 and assuming the responsibility of financial controller of the Company, 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 2011, 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 53, 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 a Master of Business Administration 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 2011, 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.

Yi Lei Li (易蕾莉) ("Ms. Yi"), aged 38, 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 of the Group. As at 31 December 2011, save for her interest in 58,000 Shares and 700,000 Share Options in the Company, Ms. Yi has no interest in the Shares of the Company within the meaning of Part XV of the SFO.

Jin Zheng Xun (金正勛) ("Mr. Jin"), aged 38, 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 of the Group. As at 31 December 2011, 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 ("CEO") AND SENIOR MANAGEMENT

Mr. Chin Jong Hwa, 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 Jian Hui, 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 2011, there are eleven members on the Board, which are the Chairman, the CEO, three other executive Directors, three non-executive Directors ("NEDs") and three independent non-executive Directors ("INEDs").

Mr. Mu was redesignated from being an executive Director to a non-executive Director and Mr. Natsume resigned as non-executive Director with effect from 21 March 2012. Further details were set out in the Company's announcement dated 20 March 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. The Board's primary purpose is to set and review the overall strategic development of the Group and to oversee the achievement of the plans to enhance Shareholders' value. Daily operational decisions are delegated to the executive Directors. The Board met four times during the Review Year and the Directors' attendance is shown in the table on page 19 of the annual report. Non-executive Directors and independent non-executive Directors 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. Mu, Dr. Wang, Mr. Zhang and Mr. Wu will retire and all shall offer themselves for re-election in the forthcoming annual general meeting ("Annual General Meeting") 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 next annual general meeting of the Company (except for Mr. Mu whose service contract will expire on 20 March 2013).

AUDIT COMMITTEE

The Group has established an audit committee ("Audit Committee") with written terms of reference as suggested under the Code of Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). As of 31 December 2011, the Audit Committee comprises all INEDs, namely Mr. Wu, Dr. Wang and Mr. Zhang. As of 31 December 2011, the chairman of the Audit Committee is 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 posses a wealth of management experience in the accounting profession or commercial sectors. The Audit Committee has held two meetings during the Review Year and the relevant Directors' attendance is shown in the table on page 19 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 ("Remuneration Committee") in November 2005. Its terms of reference are summarized as follows:

(i) to evaluate the performance of the executive Directors in order to make recommendations to the Board on the remuneration policy of the Group;

(ii) to determine the salaries and compensation packages of the Directors and senior management; and

(iii) to manage and determine the Group's Share Option Scheme.

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. Ms. Zheng was the Chairman of the Remuneration Committee.

The Remuneration Committee held one meeting during the year 2011 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 19 of the annual report.

In order to attract, retain, and motivate executives and key employees serving the Group, the Company has adopted the Share Option Scheme in 2005. Such incentive schemes enable the eligible persons to obtain an ownership interest in the Company and thus rewards 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 are set out in the Directors' Report and note 34 to the consolidated financial statements.

NOMINATION OF DIRECTORS

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. During the Review Year, the Company did not establish a nomination committee ("Nomination Committee") considering the small size of the Board.

The Chairman is responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional Director is considered necessary. The Chairman proposes 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 reviews 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) assess the independence of independent non-executive Directors;

   (iii) 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;

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

   (v) 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.

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.

Composition of the Board and the Directors' attendance record for the year ended 31 December 2011

	The Board	Audit Committee	Remuneration Committee
Number of Meetings	4	2	1
Executive Directors			
Chin Jong Hwa *(Chairman)*	4	N/A	N/A
Shi Jian Hui *(CEO)*	4	N/A	N/A
Mu Wei Zhong	4	N/A	N/A
Zhao Feng	4	N/A	N/A
Kawaguchi Kiyoshi	3	N/A	N/A
Non-executive Directors			
Mikio Natsume	4	N/A	N/A
Yu Zheng	4	N/A	1
He Dong Han	3	N/A	N/A
Independent Non-executive Directors			
Wang Ching	4	2	1
Zhang Liren	4	2	1
Wu Fred Fong	4	2	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.

COMPLIANCE WITH THE CODE AND COMPLIANCE WITH THE MODEL CODE

None of the Directors is aware of any information that would reasonably indicate that the Company was not at any time during the Review Year in compliance with the Code as set out in Appendix 14 to the Listing Rules.

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

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 RMB3,327,000 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 38 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 40 of the annual report.

DIVIDENDS

The Board recommends the payment of a final dividend of HKD0.271 per Share for the Review Year to the Shareholders on the Company's register of members on 30 May 2012.

PROPERTY, PLANT AND EQUIPMENT

During the Review Year, the Group incurred approximately RMB458,374,000 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, 2,797,000 Share Options have been exercised by persons who are not Directors of the Company. 75,000 Share Options lapsed due to resignations of persons who are not Directors of the Company. During the Review Year, the Company has issued 2,797,000 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 HKD14,935,980.

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 43 of the annual report.

The Company's reserves available for distribution represent the share premium, reserves and profit which in aggregate amounted to approximately RMB5,866 million as at 31 December 2011. 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 14.8% of the Group's revenue, and the five largest customers accounted for approximately 38.2% of the Group's revenue.

The purchases for the Review Year attributable to the Group's largest supplier and five largest suppliers were approximately 5.2% and 17.3% 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 RMB369,000 (2010: approximately RMB4,075,000).

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 (redesignated from an executive Director to a non-executive Director on 21 March 2012)

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

In accordance with Article 87 of the Articles, Mr. Mu, Dr. Wang, Mr. Zhang and Mr. Wu will retire from office, and all being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting 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 independent non-executive Directors 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 and 18 May 2011 respectively. The previous three reappointments were with one-year extension and the latest two are with an extension until the Company's forthcoming annual general meeting 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 and 18 May 2011 with an extension until the Company's forthcoming annual general meeting in 2012.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors 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 2011, 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 Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (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") 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 2011 *(Note 1)*
Chin Jong Hwa	Company	Long position	Interest of controlled corporation (Note 2)	436,664,000	40.56%
Shi Jian Hui	Company	Long position	Beneficial owner	3,032,000 (Note 3)	0.28%
Mu Wei Zhong	Company	Long position	Beneficial owner	1,712,000 (Note 4)	0.16%
Zhao Feng	Company	Long position	Beneficial owner and interest of spouse (Note 5)	2,204,000 (Note 5)	0.20%
Kawaguchi Kiyoshi	Company	Long position	Beneficial owner	500,000 (Note 6)	0.05%
He Dong Han	Company	Long position	Beneficial owner	1,000,000 (Note 6)	0.09%

Note 1: The percentage of the Company's issued share capital is based on the 1,076,647,000 issued share capital as at 31 December 2011.

Note 2: As at 31 December 2011, 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: 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.

Note 5: 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 6: 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.

Other than as disclosed above, as at 31 December 2011, none of the Directors, chief executives and their associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEME

The Share Option Scheme was adopted pursuant to a written resolution of all the then shareholders of the Company passed 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, service providers of any member of the Group who 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% of the Shares of the Company in issue on the Listing Date ("General Scheme Limit"). The Company may renew the General Scheme Limited 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 scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

Unless approved by Shareholders, 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 scheme of the Group (including both exercised or outstanding options) to each participant in any 12-months period shall not exceed 1% of the issued share capital of the Company for the time being ("Individual Limit").

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

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

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

Pursuant to the Share Option Scheme, the Company announced the grant of 39,000,000 Share Options on 10 June 2011. For details, please refer to the Company's announcement dated 10 June 2011. As at the date of 31 December 2011, since the adoption of the Share Option Scheme, the total number of Share Options the Company granted to the employees and some of the Directors and their connected persons amounted to 80,600,000 Share Options. As at the date of this report, the number of Share Options that could still be granted under the Share Option Scheme was 8,885,000, representing 0.8% of the 1,076,895,000 Shares in issue as at 20 March 2012, being the date of this report.

Details are as follows:

Name and status of participants	As of 1 January 2011	Granted during the Review Period	Exercised during the Review Period (Note 6)	Lapsed during the Review Period	As of 31 December 2011	Date of Grant (Note 2)	Exercise Period (Note 3)	Subscription Price (HKD) (Note 4)
	Number of Shares (Note 1)							
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. Mu Wei Zhong	300,000	–	–	–	300,000	4–7–2008	1–2–2010 to 12–11–2013	5.34
	300,000	–	–	–	300,000	4–7–2008	1–2–2011 to 12–11–2013	5.34
	–	300,000	–	–	300,000	10–6–2011	1–2–2012 to 12–11–2016	10.89
	–	300,000	–	–	300,000	10–6–2011	1–2–2013 to 12–11–2016	10.89
	–	400,000	–	–	400,000	10–6–2011	1–2–2014 to 12–11–2016	10.89
Mr. Zhao Feng	300,000	–	–	–	300,000	4–7–2008	1–2–2010 to 12–11–2013	5.34
	300,000	–	–	–	300,000	4–7–2008	1–2–2011 to 12–11–2013	5.34
	–	300,000	–	–	300,000	10–6–2011	1–2–2012 to 12–11–2016	10.89
	–	300,000	–	–	300,000	10–6–2011	1–2–2013 to 12–11–2016	10.89
	–	400,000	–	–	400,000	10–6–2011	1–2–2014 to 12–11–2016	10.89
Mr. Kawaguchi Kiyoshi	–	150,000	–	–	150,000	10–6–2011	1–2–2012 to 12–11–2016	10.89
	–	150,000	–	–	150,000	10–6–2011	1–2–2013 to 12–11–2016	10.89
	–	200,000	–	–	200,000	10–6–2011	1–2–2014 to 12–11–2016	10.89
Mr. He Dong Han	–	300,000	–	–	300,000	10–6–2011	1–2–2012 to 12–11–2016	10.89
	–	300,000	–	–	300,000	10–6–2011	1–2–2013 to 12–11–2016	10.89
	–	400,000	–	–	400,000	10–6–2011	1–2–2014 to 12–11–2016	10.89
Ms. Zhu Chun Ya (Note 5)	225,000	–	–	–	225,000	4–7–2008	1–2–2010 to 12–11–2013	5.34
	225,000	–	–	–	225,000	4–7–2008	1–2–2011 to 12–11–2013	5.34
Subtotal	2,450,000	5,500,000	–	–	7,950,000			
Other Participants	3,820,000	–	1,428,500	37,500	2,354,000	4–7–2008	1–2–2010 to 12–11–2013	5.34
	8,380,000	–	1,368,500	37,500	6,974,000	4–7–2008	1–2–2011 to 12–11–2013	5.34
	–	10,050,000	–	–	10,050,000	10–6–2011	1–2–2012 to 12–11–2016	10.89
	–	10,050,000	–	–	10,050,000	10–6–2011	1–2–2013 to 12–11–2016	10.89
	–	13,400,000	–	–	13,400,000	10–6–2011	1–2–2014 to 12–11–2016	10.89
Subtotal	12,200,000	33,500,000	2,797,000	75,000	42,828,000			
Total	14,650,000	39,000,000	2,797,000	75,000	50,778,000			

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

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

Note 3: The option period for the Share Options granted on 4 July 2008 is for five years four months and eight days and such Share Options vested in tranches beginning on 1 February 2010 as to 50%, 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.

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 Period is HKD11.95.

During the Review Year, 2,797,000 Share Options have been exercised by persons who are not Directors. 75,000 Share Options lapsed due to resignations of persons who are not Directors.

Since the adoption of the Share Option Scheme to the date of this report, Mr. Shi Jian Hui (a Director), Mr. Mu Wei Zhong (a Director), Mr. Zhao Feng (a Director) and his spouse Ms. Zhu Chun Ya have exercised 500,000 Share Options, 500,000 Share Options, 500,000 Share Options and 500,000 Share Options, respectively. 23,395,000 Share Options have been exercised by persons who are not Directors. 6,485,000 Share Options lapsed due to resignations of persons who are not Directors.

Apart from the Share Option Scheme as disclosed above, no option was granted, exercised, cancelled or lapsed during as at the date of this report since the adoption of the Share Option Scheme.

Particulars of the Company's Share Option Scheme are set out in note 34 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 2011, 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)	40.56%
Linkfair Investments Limited ("Linkfair")	Beneficial owner	Long position	436,664,000 (Note 3)	40.56%
The Capital Group Companies, Inc.	Interest of controlled corporations	Long position	86,706,000 (Note 4)	8.05%
Commonwealth Bank of Australia	Interest of controlled corporations	Long position	80,296,000 (Note 5)	7.46%
JPMorgan Chase & Co. (Note 6)	Beneficial owner	Long position	48,000	0.00%
	Investment manager	Long position	12,922,000	1.20%
	Custodian corporation/ approved lending agent	Long position	62,609,000	5.82%
Deutsche Bank Aktiengesellschaft (Note 7)	Beneficial owner	Long position	197,324	0.02%
		Short position	191,398	0.02%
	Investment manager	Long position	22,693,337	2.11%
	Person having a security interest in shares	Long position	35,062,977	3.26%
		Short position	33,432,280	3.11%
	Custodian corporation/ approved lending agent	Long position	7,175,933	0.67%
Capital Research and Management Company	Investment manager	Long position	64,822,000	6.02%

Note 1: Percentages shown are that as recorded in the Section 352 SFO register kept by the Company. As at 31 December 2011, the total issued share capital of the Company was 1,076,647,000.

Note 2: As at 31 December 2011, 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 2011, Linkfair, a company wholly-owned by Mr. Chin Jong Hwa, was interested in 436,664,000 Shares.

Note 4: As at 31 December 2011, 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 86,706,000 Shares in aggregate that are directly held by the 4 entities 100% controlled by it, namely, Capital International S.A.R.L. (23,884,000 Shares), Capital International Limited (5,874,000 Shares), Capital International, Inc (48,658,000 Shares) and Capital Guardian Trust Company (8,290,000 Shares).

Note 5: 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 6: As at 31 December 2011, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, these Shares were held by corporations controlled directly or indirectly as to 100% by JPMorgan Chase & Co.

Note 7: As at 31 December 2011, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, these Shares were held by corporations controlled directly or indirectly as to 100% by Deutsche Bank Aktiengesellschaft.

(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 Automobile Parts Co., Ltd.	Aisin Tianjin Body Parts Co., Ltd.	19.8%
Jiaxing Minth Hashimoto Automotive Parts Co., Ltd.	FALTEC Co., Ltd.	35%
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 2011, 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, 2,797,000 Share Options have been exercised by persons who are not directors of the Company. 75,000 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 year 2011.

CONTINUING CONNECTED TRANSACTIONS

During the Review Period, the following 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 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 RMB130,743,000 and approximately RMB85,036,000 respectively, which did not exceed the reported and announced annual caps of RMB180,000,000 and RMB140,000,000 for the Review Year as approved by the independent Shareholders on 26 June 2008.

(b) Technology services provided by Sankei Giken Kogyo Co., Ltd. ("Sankei Giken") to the Group

Guangzhou Minhui Automobile Parts Co., Ltd. ("Guangzhou Minhui"), an indirect non-wholly owned subsidiary of the Company, entered into three technology services agreements with Sankei Giken, a wholly-owned subsidiary of Sankei Giken Holdings Co., Ltd. ("Sankei Holdings"), (a connected person of the Company since February 2001 by way of its 30% shareholding in one of the Company's subsidiaries, Guangzhou Minhui) on 12 June 2002, 27 February 2004, and 1 March 2004, respectively (collectively, the "Technology Services Agreements"). The Technology Services Agreements have expired.

Guangzhou Minhui also entered into three new technology services agreements with Sankei Giken on 17 July 2007 and 13 August 2008. Wuhan Minhui Automotive Parts Co., Ltd. ("Wuhan Minhui") also entered into five new technology services agreements with Sankei Giken on 28 February 2006, 18 April 2006, 1 February 2008, 20 July 2009 and 1 October 2010 respectively (collectively, the "New Technology Services Agreements").

Pursuant to the New Technology Services Agreements, Sankei Giken agreed to provide technology, technology support and know-how for certain types of auto-parts to Guangzhou Minhui, Ningbo Shintai Machines Co., Ltd. ("Ningbo Shintai"), Jiaxing Minhui Automotive Parts Co., Ltd. ("Jiaxing Mihui") and Wuhan Minhui and to grant non-exclusive rights to use the technology know-how in relation to the manufacture of auto-parts for Guangzhou Honda Automobile Co., Ltd. (in respect of Guangzhou Minhui), and Dongfeng Honda (Wuhan) Automobile Co. Ltd. (in respect of Ningbo Shintai, Wuhan Minhui and Jiaxing Minhui). The technology support provided by Sankei Giken includes the design, installation, operation of the auto-parts and to provide training to the Group's staff. The term for the New Technology Services Agreements are for six years or seven years commencing from the date when registration procedures with the relevant Chinese governmental authorities are completed. The price for such technology, technology support and know-how under the New Technology Services Agreements are set by reference to the prevailing market prices. The structure of payment of such prices under the New Technology Services Agreements is that payment by the Group would include a fixed amount of consideration for the technology, technology support and know-how plus a variable fee which is payable based on a percentage of the sales of such automobile parts for the relevant car model and ancillary expenses (such as staff training provided by Sankei) which are paid on an ad hoc basis.

Further details of the New Technology Services Agreements and the respective annual caps for 3 years ended 31 December 2010 were set out in the Company's announcements dated 20 May 2008 and 26 June 2008 as well as its circular dated 10 June 2008. During the Review Year, the cumulative consideration of technology service for the above-mentioned transactions between the Group and Sankei Giken amounted to approximately RMB7,607,000. In accordance with 14A.33(3)(b) of the Listing Rules, such transactions are therefore exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

(c) Technology services provided by FALTEC Co., Ltd. (together with the former Altia Hashimoto, "FALTEC Group") to the Group

Pursuant to a share transfer agreement ("Share Transfer Agreement") between Altia Hashimoto Co., Ltd. ("Altia Hashimoto") and Minth Investment Limited ("Minth Investment"), a wholly-owned subsidiary of the Company, dated 28 September 2007, Altia Hashimoto transferred its 15% interest in Jiaxing Minth Hashimoto Automotive Parts Co., Ltd ("Jiaxing Minth Hashimoto") to Minth Investment. As a result of the Share Transfer Agreement, Jiaxing Minth Hashimoto became an indirect non-wholly owned subsidiary of the Company. As Altia Hashimoto holds the remaining 35% interest in Jiaxing Minth Hashimoto, it became a connected person of the Company by virtue of its substantial shareholding in Jiaxing Minth Hashimoto. Pursuant to the Share Transfer Agreement, the effective date for apportioning economic benefits and risks was 31 August 2007. Consequently, Jiaxing Minth Hashimoto was consolidated as a subsidiary of the Group from 31 August 2007 and transactions thereafter between the FALTEC Group and the Group are connected transactions under the Listing Rules. FALTEC Group is mainly involved in the business of automobile part and accessory production and development. The Group has been entering into technology services agreements ("FALTEC Technology Services Agreements") since 2003 and a framework technology services agreement on 28 September 2007 ("FALTEC Master Framework Agreement") with Altia Hashimoto until Altia Hashimoto was acquired by the FALTEC Group in October 2007. Upon such acquisition, all pre-existing contracts between Altia Hashimoto and the Group have been assumed by the FALTEC Group.

The FALTEC Technology Services Agreements together with the FALTEC Master Framework Agreement mainly relate to the grant of licences by the FALTEC Group to the Group to produce certain automobile parts as well as providing the Group with the manufacturing know-how for production of these automobile parts. These licences and know-how are exclusive in the market and allow the Group to sell automobile parts in China which are produced to certain product standards prescribed by the Japanese car manufacturers. The amounts payable under the FALTEC Technology Services Agreements involve a fixed fee for each agreement to be paid by instalments plus a variable fee which is payable based on a percentage of the sales of such automobile parts for the relevant car model and ancillary expenses (such as staff training and/or tools provided by FALTEC Group) which are paid on an ad hoc basis.

As for the FALTEC Master Framework Agreement, payment terms are subject to further agreement on a per transaction basis but it is agreed that generally FALTEC Group shall provide Jiaxing Minth Hashimoto or its associated companies such licences and know-how at such price no less favourable than those available from other independent third parties. Such prices shall be determined by reference to corresponding market prices and on normal commercial terms which are fair and reasonable as a whole. Should there be no market prices for reference, FALTEC Group shall price its licences and/or know-how at cost plus a reasonable profit. The FALTEC Master Framework Agreement covers the same type of services as the FALTEC Technology Services Agreements and is intended to cover all technology services agreements with FALTEC Group going forward. The term of the FALTEC Master Framework Agreement is fixed for three years with an option to renew subject to compliance with the requirements under the Listing Rules. Further details of the FALTEC Technology Services Agreements and the FALTEC Master Framework Agreement are set out in the Company's announcements dated 20 May 2008 and 26 June 2008 and its circular dated 10 June 2008.

During the Review Year, the cumulative consideration of technology service for the above-mentioned transactions between the Group and FALTEC Group amounted to approximately RMB16,778,000. In accordance with 14A.33(3)(b) of the Listing Rules, such transactions are therefore exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

(d) Entering into sale and purchase agreement with FALTEC Group

The Company has, through its wholly-owned subsidiary Minth Japan Co., Ltd. and Minth International Limited, entered into two sale and purchase agreements with FALTEC Corporation on 8 July 2008 and 26 January 2009 respectively, and another sale and purchase agreement through Jiaxing Xinghe Automotive Parts Co., Ltd. ("Jiaxing Xinghe") with Foshan Altia Automobile Products Co., Ltd. ("Foshan Altia") on 10 December 2008 respectively, (the "Japan FALTEC Sale and Purchase Agreements" and the "Domestic FALTEC Sale and Purchase Agreements", collectively, the "FALTEC Sale and Purchase Agreements") to govern the transactions between the Group and FALTEC Group in relation to the sale and purchase of automobile parts. The term of the Domestic FALTEC Sale and Purchase Agreements is fixed for a term commencing on 10 December 2008 and shall end on 31 December 2009, and shall be automatically renewed with the same terms for a further year ending 31 December 2010 subject to the Company's agreement and compliance with the Listing Rules. In respect of the Japan FALTEC Sale and Purchase Agreements, the terms are fixed for the period from 26 January 2009 to 31 December 2011 and from 8 July 2008 to 7 July 2011 respectively and each of them may be automatically renewed for a further year upon expiry subject to the Company's agreement and compliance with the Listing Rules.

Pursuant to the FALTEC Sale and Purchase Agreements, the Group may transact to sell automobile parts to FALTEC Group in both Japan and China. The price and terms of payment for such sale and purchase of products under the Japan's FALTEC Sale and Purchase Agreements will be agreed at the time when such transactions are individually entered into but such prices shall either be set by reference to the prevailing market prices, or should there be no market price available for reference, based on cost plus a reasonable profit. The basis of determining such price will in any event be no less favourable to the Company than those in respect of independent third parties. The price payable for these transactions under the Domestic FALTEC Sale and Purchase Agreements shall be agreed between the parties by the fifteenth day in the month following Foshan Altia's acceptance of the products, and payment to be made by Foshan Altia to the Group by the fifth day of the second month following the date of agreement of the price above. The structure of payment of such prices to be agreed under the FALTEC Sale and Purchase Agreements is also expected to be agreed at the time when such orders are individually placed by FALTEC Corporation and formalised from time to time. Further details of the FALTEC Sale and Purchase Agreements and the initial annual caps for 3 years ended 31 December 2011 set out in the Company's announcements dated 23 September 2009 and 25 August 2010.

In light of the increased customer demand in the relevant automobile parts to be sold under the FALTEC Sale and Purchase Agreements, the Company expects that the annual sales of 2010 pursuant to these agreements will exceed the annual cap of RMB14,000,000 as previously set out in the Company's announcement dated 23 September 2009. As set out in the Company's announcement dated 25 August 2010, based on the latest estimates of the Company in respect of transactional value pursuant to FALTEC Sale and Purchase Agreements, as the highest of the relevant percentage ratios as defined under Rule 14.07 of the Listing Rules (other than the profits ratio) in respect of the annual caps of such transactions is, on an annual basis, less than 1%, such transactions constitute de minimis transactions for the Company under Rule 14A.33(3)(b) of the Listing Rules and are therefore exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements.

During the Review Year, the cumulative sales to and purchase from FALTEC Group pursuant to the FALTEC Sale and Purchase Agreements amounted to approximately RMB17,640,000 and RMB14,000 respectively. Such transactions constitute de minimis transactions for the Company under Rule 14A.33(3)(b) of the Listing Rules and are therefore exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements.

(e) Sales by the Group to Foshan Aisin Automotive Parts Co., Ltd. ("Foshan Aisin")

Foshan Aisin represents a connected person of the Company by way of being a subsidiary of Aisin Tianjin. On 1 April 2009, the Company through its subsidiary Guangzhou Minrui Automobile Parts Co., Ltd. entered into an agreement ("Foshan Aisin Agreement") with Foshan Aisin. The term of the Foshan Aisin Agreement will be effective until 31 December 2011 and may be automatically renewed for one year upon expiry subject to compliance with the Listing Rules.

The Foshan Aisin Agreement was entered into to govern the general terms of transactions between the Group and Foshan Aisin. The price for such sale and purchase of products under the Foshan Aisin Agreement will be agreed at the time when such transactions are individually entered into but such prices shall either be set by reference to the prevailing market prices, or should there be no market price available for reference, based on cost plus a reasonable profit. The basis of determining such price will in any event be no less favourable to the Company than those in respect of independent third parties. The Group shall issue an invoice to Foshan Aisin by the fifth business day in the month after the date when Foshan Aisin has issued a formal confirmation of acceptance of such products to the Group. Foshan Aisin shall (unless there is dispute on the invoice) then make payments to the Group by the twenty-fifth calendar day in the month after the above date when Foshan Aisin issued its formal confirmation of acceptance. The structure of payment of such prices to be agreed under the Foshan Aisin Agreements is also expected to be agreed at the time when such orders are individually placed by Foshan Aisin and formalised from time to time. Further details of the Foshan Aisin Agreement and the respective annual caps are set out in the Company's announcements dated 23 September 2009 and 25 November 2009.

During the Review Year, the cumulative sales to Foshan Aisin by the Group pursuant to the Foshan Aisin Agreement amounted to approximately RMB33,964,000, which did not exceed the annual cap of RMB40,000,000 for the Review Year.

(f) Entering into sale, purchase and technology services agreement with AAPICO Hitech Public Company Limited ("AAPICO")

The Company and one of its indirect wholly-owned subsidiaries, Sinoone Holdings Limited ("SINOONE"), have entered into the an agreement with AAPICO on 7 January 2008 for the establishment of the joint venture Company Minth AAPICO (Thailand) CO., Ltd. ("Minth AAPICO") in Thailand. The joint venture company Minth AAPICO is owned as to 60% by SINOONE and 40% by AAPICO. Minth AAPICO is therefore an indirect non-wholly owned subsidiary of the Company and AAPICO is therefore a connected person of the Company by virtue of it being a substantial shareholder of the Company's subsidiary owning 40% of the joint venture company. SINOONE then on 2 May 2008 transferred its 60% interest in Minth AAPICO to Enboma Investments Limited ("Enboma"). The transfer of the joint venture interest from SINOONE to Enboma was a result of the Company's decision to restructure its investment holding companies. The Group has entered into a strategic collaboration agreement ("AAPICO Agreement") with AAPICO on 13 August 2009 to govern the general terms of transactions between the Group and AAPICO generally in relation to the sale and purchase of automobile parts and provision of technical services. Hence the transactions contemplated under the AAPICO Agreement constitute continuing connected transactions of the Company.

Pursuant to the AAPICO Agreement, parties may transact to sell or purchase automobile parts, provide technical services or such other transactions relating to the design, manufacturing, sale, import, export and after-sales services of automobile components in Thailand or elsewhere pursuant to the AAPICO Agreement. In particular, the Group may purchase from or sell to AAPICO moulds, semi-finished or finished products, and other relevant service of automobile components. In respect of technical services contemplated under the AAPICO Agreement, it is expected AAPICO or its affiliates will provide such services to Minth AAPICO to facilitate its production process with regards to the design and manufacture of automobile parts with specifications which meet the requirement of AAPICO and its customers.

The price and terms of payment for such sale and purchase of products as well as provision of technical services under the AAPICO Agreement will be agreed at the time when such transactions are individually entered into but such prices shall either be set by reference to the prevailing market prices, or should there be no market price available for reference, based on cost plus a reasonable profit. It is a specific term of the AAPICO Agreement that such price and terms of payment shall not be less favourable than that provided to any independent third parties. The structure of payment of such prices to be agreed under the AAPICO Agreement are also expected to be agreed at the time when such orders are individually placed by the Group, Minth AAPICO or AAPICO (as the case may be) and formalised from time to time. The term of the AAPICO Agreement is three years and may be automatically renewed for one year upon expiry compliance with the Listing Rules. Further details of the AAPICO Agreement and the respective annual caps are set out in the Company's announcement dated 13 August 2009.

During the Review Year, the cumulative purchases from AAPICO by the Group pursuant to the AAPICO Agreement amounted to approximately RMB4,076,000, and no sales or provision of technical services by AAPICO to the Group occurred, all of which did not exceed the annual caps of RMB22,000,000, RMB22,500,000 and RMB500,000 in respect of sales to AAPICO, purchase from AAPICO and provision of technology services by AAPICO respectively for the Review Year as reported and announced on 13 August 2009.

(g) Sales by the Group to Newman Technology, Inc. ("Newman")

On 13 August 2009, the Group through its wholly-owned subsidiary PTI International, Inc. ("PTII") and Newman, a connected person of the Company by way of being a wholly-owned subsidiary of Sankei Giken Holding, entered into two strategic collaboration agreements ("Newman Agreements") to govern the general terms of transactions between the Group and Newman. The term of the Newman Agreements is three years.

According to the Newman Agreements, there will be sales of automobile parts by the Group to Newman and purchase by the Group from Newman of raw materials, work in progress or component parts for the sole purpose of production of such automobile parts to satisfy Newman's orders from time to time. In addition, certain production equipment owned by Newman shall be kept at the Group's premises for production use by the Group solely for the purpose of satisfying Newman's orders under the Newman Agreements. The price and terms of payment for such sale and purchase of products under the Newman Agreements will be agreed at the time when such transactions are entered into but such prices shall either be set by reference to the prevailing market prices, or should there be no market price available for reference, based on cost plus a reasonable profit. Such price and terms of payment are therefore expected to be not less favourable than that provided to any independent third parties. In relation to the production equipment kept at the Group's premises, the Group shall take out relevant insurance and be responsible for the maintenance costs and expenses. The structure of payment of such prices to be agreed under the Newman Agreements are also expected to be agreed at the time when such orders from Newman are formalized from time to time. Further details of the Newman Agreements and the respective annual caps are set out in the Company's announcement dated 13 August 2009.

During the Review Year, the cumulative sales to Newman pursuant to the Newman Agreements amounted to approximately USD4,056,000 and no purchase from Newman occurred, both of which therefore did not exceed the annual caps of USD5,750,000 and USD250,000 in respect of sales to and purchase from Newman respectively for the Review Year as reported and announced on 13 August 2009.

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

Cheerplan (China) Investments Co., Ltd., a wholly-owned subsidiary of the Company, has entered into a joint venture agreement with Tokai Kogyo to establish 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 RMB80,725,000 and RMB28,518,000 respectively.

The independent non-executive Directors reviewed the continuing connected transactions set out herein and in note 36 to the consolidated financial statements, and confirmed that, during the year ended 31 December 2011, 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 36 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 as an incentive to Directors and eligible employees, details of the Share Option Scheme 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

None of the Directors is aware of any information that would reasonably indicate that the Company was not at any time during the Review Year in compliance with the Code on Corporate Practices as set out in Appendix 14 of the Listing Rules.

The Company has adopted the Model Code as the Company's code of conduct and rules governing dealings by all Directors in the securities of the Company. Having made specific enquiry of all Directors, they had strictly complied with 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 2011.

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 Annual General Meeting 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, 20 March 2012

INDEPENDENT AUDITOR'S REPORT

Deloitte.
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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 40 to 114, which comprise the consolidated statement of financial position as at 31 December 2011, 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, 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.

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 2011 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
20 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
Turnover	6	**3,889,405**	3,575,594
Cost of sales		**(2,526,801)**	(2,268,156)
Gross profit		**1,362,604**	1,307,438
Investment income	7	**73,712**	39,451
Other income	8	**133,239**	84,096
Other gains and losses	9	**6,382**	30,546
Distribution and selling expenses		**(130,942)**	(132,117)
Administrative expenses		**(310,262)**	(232,865)
Research expenditure		**(209,377)**	(182,845)
Interest on borrowings wholly repayable within five years		**(15,673)**	(7,069)
Share of profits of jointly controlled entities	19	**18,938**	19,535
Share of profits of associates	20	**34,320**	46,229
Profit before tax		**962,941**	972,399
Income tax expense	10	**(136,011)**	(122,690)
Profit for the year	11	**826,930**	849,709
Other comprehensive income			
Exchange differences arising on translation		**(24,162)**	(18,581)
Fair value (loss) gain on available-for-sale financial assets		**(16,157)**	15,390
Cumulative gain reclassified on disposal of available-for-sale financial assets		**–**	(1,330)
Income tax relating to fair value change of available-for-sale financial assets		**2,019**	(1,756)
Other comprehensive expense for the year (net of tax)		**(38,300)**	(6,277)
Total comprehensive income for the year		**788,630**	843,432
Profit for the year attributable to:			
Owners of the Company		**787,318**	811,172
Non-controlling interests		**39,612**	38,537
		826,930	849,709
Total comprehensive income attributable to:			
Owners of the Company		**751,002**	804,069
Non-controlling interests		**37,628**	39,363
		788,630	843,432
Earnings per share	14		
Basic		**RMB0.732**	RMB0.780
Diluted		**RMB0.727**	RMB0.772

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

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	NOTES	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	15	**1,440,536**	1,213,320
Prepaid lease payments	16	**405,935**	306,686
Goodwill	17	**15,276**	15,276
Other intangible assets	18	**32,527**	19,659
Interests in jointly controlled entities	19	**76,919**	59,577
Interests in associates	20	**107,958**	110,954
Available-for-sale investments	21	**157,481**	173,638
Loan receivables	22	**15,520**	29,693
Deferred tax assets	23	**39,225**	33,523
		2,291,377	1,962,326
Current assets			
Prepaid lease payments	16	**8,253**	6,708
Inventories	24	**515,353**	452,594
Loan receivables	22	**38,873**	30,715
Trade and other receivables	25	**1,134,866**	1,011,807
Derivative financial assets	26	**14,993**	15,999
Pledged bank deposits	27	**37,477**	62,463
Bank balances and cash	27	**3,791,701**	3,158,225
		5,541,516	4,738,511
Current liabilities			
Trade and other payables	28	**656,695**	572,844
Tax liabilities		**75,832**	65,300
Borrowings	29	**825,824**	407,450
Derivative financial liabilities	26	**1,103**	–
		1,559,454	1,045,594
Net current assets		**3,982,062**	3,692,917
Total assets less current liabilities		**6,273,439**	5,655,243

	NOTES	2011 RMB'000	2010 RMB'000
Capital and reserves			
Share capital	30	**109,139**	108,904
Share premium and reserves		**5,978,086**	5,412,372
Equity attributable to owners of the Company		**6,087,225**	5,521,276
Non-controlling interests		**155,248**	111,717
Total equity		**6,242,473**	5,632,993
Non-current liabilities			
Deferred tax liabilities	23	**30,966**	22,250
		6,273,439	5,655,243

The consolidated financial statements on pages 40 to 114 were approved and authorised for issue by the Board of Directors on 20 March 2012 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 2011

	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 2010	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 year	–	–	–	–	–	–	–	–	–	811,172	811,172	38,537	849,709
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	(19,407)	–	–	(19,407)	826	(18,581)
Fair value gain on available-for-sale financial assets	–	–	–	–	–	–	15,390	–	–	–	15,390	–	15,390
Cumulative gain reclassified on disposal of available-for-sale financial assets	–	–	–	–	–	–	(1,330)	–	–	–	(1,330)	–	(1,330)
Income tax relating to components of other comprehensive income	–	–	–	–	–	–	(1,756)	–	–	–	(1,756)	–	(1,756)
Total comprehensive income for the year	–	–	–	–	–	–	12,304	(19,407)	–	811,172	804,069	39,363	843,432
Recognition of share-based payments	–	–	–	–	–	–	–	–	4,027	–	4,027	–	4,027
Transfer to reserve fund	–	–	–	–	5,774	–	–	–	–	(5,774)	–	–	–
Dividends recognised as distribution (note 13)	–	–	–	–	–	–	–	–	–	(205,944)	(205,944)	–	(205,944)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(38,977)	(38,977)
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	989	67,989	–	–	–	–	–	–	(10,427)	–	58,551	–	58,551
At 31 December 2010	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

	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	–	–	–	–	–	–	–	–	–	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

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

As stipulated by the relevant laws and regulations for foreign investment enterprise in the 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 2011

	2011 RMB'000	2010 RMB'000
Operating activities		
Profit before tax	**962,941**	972,399
Adjustments for:		
Finance costs	**15,673**	7,069
Interest income	**(69,971)**	(35,699)
Dividends from available-for-sale investments	**(3,741)**	(3,752)
Share of profits of associates	**(34,320)**	(46,229)
Share of profits of jointly controlled entities	**(18,938)**	(19,535)
Depreciation of property, plant and equipment	**123,183**	110,262
Amortisation of other intangible assets	**10,203**	9,937
Release of prepaid lease payments	**7,434**	4,689
Share-based payment expense	**41,004**	4,027
Gain on fair value changes of financial assets designated at financial assets at fair value through profit or loss ("FVTPL")	**(3,949)**	(30,031)
Gain on fair value changes of derivative financial instruments	**(20,104)**	(19,858)
Loss (gain) on disposal of property, plant and equipment	**670**	(605)
(Reversals of) allowance for obsolete inventories	**2,413**	(3,222)
Allowance for bad and doubtful debts	**3,013**	2,025
Net foreign exchange (gains) losses	**(19,233)**	10,796
Impairment loss recognised in respect of property, plant and equipment	**–**	7,402
Cumulative gain reclassified on disposal of listed equity securities classified as available-for-sale	**–**	(1,330)
Operating cash flows before movements in working capital	**996,278**	968,345
Increase in inventories	**(65,172)**	(48,911)
Increase in trade and other receivables	**(124,881)**	(186,116)
Increase in trade and other payables	**78,155**	63,881
Cash generated from operations	**884,380**	797,199
Income taxes paid	**(120,446)**	(99,388)
Net cash from operating activities	**763,934**	697,811

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
Investing activities		
Proceeds on redemption of other financial assets and derivative financial instruments	**3,137,755**	2,359,653
Withdrawal of pledged bank deposits	**115,657**	224,486
Interest received	**69,381**	36,743
Dividends received from associates	**41,133**	18,740
Dividends received from available-for-sale investments	**3,741**	3,752
Repayment from jointly controlled entities and associates	**16,068**	10,240
Refundable guarantee deposit received for acquisition of land use rights	**21,057**	–
Proceeds on disposal of property, plant and equipment	**2,250**	4,430
Proceeds on disposal of other intangible assets	**1,256**	–
Proceeds on disposal of available-for-sale investments	**–**	106,437
Dividends received from a jointly controlled entity	**–**	1,763
Placement of pledged bank deposits	**(90,671)**	(118,901)
Investment in other financial assets and derivative financial instruments	**(3,111,727)**	(2,423,905)
Purchases of property, plant and equipment	**(350,146)**	(244,651)
Prepaid rentals for lease premium for land	**(108,228)**	(138,186)
Purchases of other intangible assets	**(24,327)**	(11,466)
Refundable guarantee deposit paid for acquisition of land use rights	**(20,000)**	(41,057)
Addition of loan receivables	**(11,658)**	(3,088)
Addition of investment in associates	**(6,065)**	(3,906)
Purchase of available-for-sale investments	**–**	(159,578)
Net cash used in investing activities	**(314,524)**	(378,494)
Financing activities		
Repayment of bank loans	**(2,367,738)**	(4,423,074)
Dividends paid to owners of the Company	**(238,583)**	(205,944)
Dividends paid to non-controlling interests	**(37,725)**	(27,886)
Interest paid	**(15,673)**	(7,069)
New bank loans raised	**2,806,290**	4,479,264
Capital contributions from non-controlling interests	**32,537**	–
Proceeds from exercise of share options	**12,526**	58,551
Proceeds from issue of new shares	**–**	1,044,664
Transaction costs attributable to issue of shares	**–**	(19,943)
Net cash from financing activities	**191,634**	898,563
Net increase in cash and cash equivalents	**641,044**	1,217,880
Cash and cash equivalents at beginning of the year	**3,158,225**	1,964,985
Effect of foreign exchange rate changes	**(7,568)**	(24,640)
Cash and cash equivalents at the end of the year	**3,791,701**	3,158,225
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**3,791,701**	3,158,225

敏于思，實于行
INTELLIGENCE IS ACTIONAL

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 37.

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

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

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

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

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

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

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

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

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

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

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

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

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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

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

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

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.

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 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.

The results 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

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

Non-controlling interests in the net assets of consolidated 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.

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 arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition.

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

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (Continued)

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 are eliminated to the extent of the Group's interest in the relevant associate.

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.

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 or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. 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 the asset is determined as the difference between the sales proceeds and the carrying amount of the item and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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 bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which 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 profit 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 profit 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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.

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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

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 other than financial assets and goodwill 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 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

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 on 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.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent those designated 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;
- 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. At the end of the reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivables, pledged bank deposits and bank balances and cash) are carried 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.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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.

For an available-for-sale 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
- 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 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.

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.

Impairment losses on available-for-sale 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 available-for-sale 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.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

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

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 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 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 the obligation specified in the relevant contract is discharged, cancelled or expires. 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)

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.

At the time 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 following is the key assumption concerning the future, and other key source of estimation uncertainty at the end of the reporting period, that has 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 2011, the carrying amount of the Group's property, plant and equipment is approximately RMB1,440,536,000 (net of impairment loss of RMB11,449,000) (31 December 2010: carrying amount of RMB1,213,320,000, 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 2011, the carrying amount of loan receivables is RMB54,393,000 (31 December 2010: RMB60,408,000). 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 2011, the carrying amount of trade receivable is RMB874,981,000 (net of allowance for doubtful debts of RMB6,142,000) (31 December 2010: carrying amount of RMB815,678,000, net of allowance for doubtful debts of RMB3,617,000).

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 2011, the carrying amount of inventories is RMB515,353,000 (net of allowance for inventories of RMB15,361,000) (31 December 2010: carrying amount of RMB452,594,000, net of allowance for inventories of RMB13,165,000).

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 RMB'000	2010 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**4,895,121**	4,232,242
Available-for-sale investments	**157,481**	173,638
Derivative financial assets	**14,993**	15,999
Financial liabilities:		
Amortised cost	**1,462,613**	952,928
Derivative financial liabilities	**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	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
United States Dollars ("USD")	**450,816**	267,961	**388,288**	582,278
Euro ("EURO")	**776**	258	**48,924**	19,731
Japanese Yen ("JPY")	**219,039**	195,422	**23,445**	13,326
Hong Kong Dollars ("HKD")	**259,850**	303	**19,878**	15,900
	930,481	463,944	**480,535**	631,235

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% increase and decrease in functional currency against the relevant foreign currencies. 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% change in foreign currency rates; (ii) outstanding foreign currency forward contracts and adjusts for a 5% change in foreign currency rates at the year end; and (iii) outstanding structured option 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% (2010: 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)

	2011 RMB'000	2010 RMB'000
If RMB strengthens against USD	**66,647**	4,183
If RMB weakens against USD	**(76,117)**	(4,183)
If RMB strengthens against EURO	**(4,222)**	(851)
If RMB weakens against EURO	**2,001**	851
If RMB strengthens against JPY	**8,399**	7,956
If RMB weakens against JPY	**(8,399)**	(7,956)
If RMB strengthens against HKD	**10,304**	(681)
If RMB weakens against HKD	**(10,304)**	681

(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 point increase or decrease on variable-rate bank balances and variable-rate pledged bank deposits and 50 basis point 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.

If interest rates on variable-rate bank balances and variable-rate pledged bank deposits had been 10 basis points higher/lower and all other variables were held constant, the Group's post-tax profit would increase/decrease approximately by RMB901,000 (2010: increase/decrease approximately by RMB1,117,000). If interest rates on loan receivables and borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit would decrease/increase approximately by RMB3,423,000 (2010: decrease/increase approximately by RMB1,176,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances, loan receivables and borrowings.

5. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (Continued)

(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% higher, the investment revaluation reserve would increase by RMB6,890,000 (2010: RMB7,622,000). If the prices of the equity price instruments had been 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 2011, 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 2011, the Group's ten largest customers accounted for approximately 45% (31 December 2010: 46%) of the total trade receivables. As at 31 December 2011, the Group's loan receivables were from a jointly controlled entity and an associate 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 74% (2010: 82%) of the total trade receivables as at 31 December 2011.

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. 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 RMB'000	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	63/6,789
Borrowings	2.34	278,848	36,281	205,471	312,691	–	833,291	825,824
		278,848	673,070	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	–							
Interest rate swaps								
– net outflow		–	–	–	–	757	–	757

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 RMB'000	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
2010								
Non-derivative financial liabilities								
Trade and other payables	–	–	545,478	–	–	–	545,478	545,478
Borrowings	2.36	200,765	33,772	150,547	24,731	–	409,815	407,450
		200,765	579,250	150,547	24,731	–	955,293	952,928
Derivative-gross settlement	–							
Foreign currency forward contracts								
– inflow		–	(80,538)	–	(20,282)	–	(100,820)	(100,820)
– outflow		–	79,472	–	19,868	–	99,340	99,340
		–	(1,066)	–	(414)	–	(1,480)	(1,480)

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 2011 and 31 December 2010, the aggregate undiscounted principal amounts of these bank loans amounted to RMB243,210,000 and nil respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the bank will exercise the discretionary right to demand immediate repayment. The directors believe that such bank loans will be repaid in more than 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 will amount to RMB253,620,000.

(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.

5. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value (Continued)

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).

	31/12/2011			
	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**

	31/12/2010			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL				
Derivative financial assets	–	15,999	–	15,999
Available-for-sale financial assets				
Listed equity securities	173,638	–	–	173,638

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

5. FINANCIAL INSTRUMENTS (CONTINUED)

(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.

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 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					139,621
Unallocated expenses					(647,568)
Interest on bank 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

6. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (Continued)

For the year ended 31 December 2010

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

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

	2011		2010	
	RMB'000	%	RMB'000	%
Trade and bill receivables				
The PRC	678,124	8.7	683,697	10.1
Asia Pacific	68,253	0.9	50,642	0.8
North America	109,800	1.4	91,670	1.4
Europe	49,605	0.6	39,140	0.6
Trade and bill receivables total	905,782	11.6	865,149	12.9
Unallocated assets	6,927,111	88.4	5,835,688	87.1
Total assets	7,832,893	100.0	6,700,837	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 manufacture 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	
	2011	2010
	RMB'000	RMB'000
PRC	1,814,282	1,491,990
Other countries	264,869	233,482
	2,079,151	1,725,472

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	
	2011 RMB'000	2010 RMB'000
Customer A	**575,773**	540,882

The customer above is located in the PRC.

7. INVESTMENT INCOME

	2011 RMB'000	2010 RMB'000
Interest on bank deposits	**68,041**	34,314
Interest on loan receivables	**1,930**	1,385
Dividends from listed equity securities	**3,741**	3,752
Total investment income	**73,712**	39,451

8. OTHER INCOME

	2011 RMB'000	2010 RMB'000
Government grants (note)	**74,671**	45,449
Service and consultation income	**27,677**	13,099
Sales of scrap and raw materials	**17,767**	13,364
Rental income	**4,612**	4,260
Others	**8,512**	7,924
Total	**133,239**	84,096

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 have been approved by and received from the PRC local government authorities.

9. OTHER GAINS AND LOSSES

	2011 RMB'000	2010 RMB'000
Net foreign exchange losses	**(13,988)**	(11,851)
Allowance for bad and doubtful debts	**(3,013)**	(2,025)
Impairment for property, plant and equipment (note 15)	**–**	(7,402)
(Loss) gain on disposal of property, plant and equipment	**(670)**	605
Gain on change in fair value of derivative financial instruments	**20,104**	19,858
Gain on fair value changes of financial assets designated as at FVTPL	**3,949**	30,031
Cumulative gain reclassified on disposal of available-for-sale financial assets	**–**	1,330
Total	**6,382**	30,546

10. INCOME TAX EXPENSE

	2011 RMB'000	2010 RMB'000
Current tax:		
Hong Kong	–	–
PRC Enterprise Income Tax	132,159	135,126
Other jurisdictions	100	253
Withholding tax paid	2,057	1,113
	134,316	136,492
Over provision in prior years:		
PRC Enterprise Income Tax	(3,338)	(4,163)
Deferred tax (note 23)		
Current year	3,988	(9,983)
Attributable to a change in tax rate	1,045	344
	5,033	(9,639)
	136,011	122,690

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% from 1 January 2008 onwards.

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

10. INCOME TAX EXPENSE (CONTINUED)

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 will expire in 2012.

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 ending 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 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 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:

	2011 RMB'000	2011 %	2010 RMB'000	2010 %
Profit before tax	**962,941**		972,399	
Tax at the applicable income tax rate of 25% (2010: 25%)	**240,735**	**25.0**	243,100	25.0
Tax effect of share of net profits of associates and jointly controlled entities	**(13,315)**	**(1.4)**	(16,441)	(1.7)
Tax effect of expenses not deductible for tax purpose	**19,600**	**2.0**	7,114	0.7
Tax effect of tax losses not recognised as deferred tax assets	**9,326**	**1.0**	7,217	0.7
Tax effect of utilisation of tax losses previously not recognised as deferred tax assets	**(3,537)**	**(0.4)**	(2,153)	(0.2)
Effect of tax concessions granted to PRC subsidiaries	**(105,090)**	**(10.9)**	(118,719)	(12.1)
Withholding tax provision on the profit of PRC subsidiaries	**7,748**	**0.8**	9,910	1.0
Tax effect of different tax rates of subsidiaries	**(27,138)**	**(2.8)**	(15,165)	(1.6)
Deferred tax charged at different tax rates	**9,975**	**1.0**	11,646	1.2
Decrease in opening deferred tax assets/liabilities resulting from a decrease/increase in applicable tax rate	**1,045**	**0.1**	344	–
Over provision in respect of prior years	**(3,338)**	**(0.3)**	(4,163)	(0.4)
Tax charge and effective tax rate for the year	**136,011**	**14.1**	122,690	12.6

11. PROFIT FOR THE YEAR

	2011 RMB'000	2010 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Cost of inventories as recognised (note i)	2,526,801	2,268,156
Directors' remuneration (note 12)	10,410	3,304
Other staff's retirement benefits scheme contributions	22,398	14,385
Other staff's share-based payments	34,392	3,607
Other staff costs	458,444	340,549
Total staff costs	525,644	361,845
Less: Staff costs included in research expenditure	(88,505)	(72,774)
	437,139	289,071
Auditors' remuneration	5,258	5,039
Depreciation for property, plant and equipment	123,183	110,262
Less: Depreciation included in research expenditure	(9,437)	(7,285)
	113,746	102,977
Amortisation of other intangible assets (included in cost of sales, administrative expenses and research expenditure)	10,203	9,937
Release of prepaid lease payments	7,434	4,689
Operating lease rentals of buildings	22,558	15,211
Research expenditure (note ii)	209,377	182,845
Rental income	(6,884)	(9,682)
Less: Outgoings	2,272	5,422
	(4,612)	(4,260)

Note i: Included in this amount is the allowance for inventories amounting to RMB2,413,000 (2010: reversal of allowance for inventories amounting to RMB3,222,000).

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

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the eleven (2010: nine) directors were as follows:

		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:					
Chin Jong Hwa ("Mr. Chin")	–	–	–	–	–
Shi Jian Hui	–	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 (note i)	–	1,172	599	–	1,771
	–	3,067	5,415	10	8,492
Non-executive directors:					
Mikio Natsume	124	–	–	–	124
Zheng Yu	149	–	–	–	149
He Dong Han (note ii)	76	–	1,197	–	1,273
	349	–	1,197	–	1,546
Independent non-executive directors:					
Wang Ching	124	–	–	–	124
Zhang Liren	124	–	–	–	124
Wu Fred	124	–	–	–	124
	372	–	–	–	372

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' 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
2010					
Executive directors:					
Mr. Chin	–	–	–	–	–
Shi Jian Hui	–	863	168	2	1,033
Mu Wei Zhong	–	581	126	2	709
Zhao Feng	–	749	126	6	881
	–	2,193	420	10	2,623
Non-executive directors:					
Mikio Natsume	131	–	–	–	131
Zheng Yu	157	–	–	–	157
	288	–	–	–	288
Independent non-executive directors:					
Wang Ching	131	–	–	–	131
Zhang Liren	131	–	–	–	131
Wu Fred	131	–	–	–	131
	393	–	–	–	393

Notes:

i) Appointed as executive director of the Company with effect from 18 May 2011.

ii) Appointed as non-executive director of the Company with effect from 18 May 2011.

During the year ended 31 December 2011, one director waived emoluments of RMB600,000 (2010: one director waived emoluments of RMB600,000).

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employees' emoluments

During the year, the five highest paid individuals included three directors (2010: three directors), details of whose emoluments are set out above. The emoluments of the remaining two (2010: 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
2011	**1,921**	**1,802**	**2**	**3,725**
2010	1,462	94	2	1,558

Their emoluments were within the following bands:

	2011 No. of employees	2010 No. of employees
HK$nil to HK$1,000,000	**–**	5
HK$2,000,001 to HK$2,500,000	**4**	–
HK$4,000,001 to HK$4,500,000	**1**	–

13. DIVIDENDS

	2011 RMB'000	2010 RMB'000
Dividends recognised as distribution during the year:		
2010 Final – HK$0.266 (2010: 2009 final dividend HK$0.219) per share	**238,583**	205,944

In the annual general meeting held on 18 May 2011, a final dividend of HK$0.266 (2010: HK$0.219) per share in respect of the year ended 31 December 2010 was approved by the shareholders and subsequently paid to the shareholders of the Company.

A final dividend of HK$0.271 per share for the year ended 31 December 2011 has been proposed by the directors and is subject to approval by the shareholders in general meeting to be held on 22 May 2012.

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:

	2011 **RMB'000**	2010 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**787,318**	811,172

	2011 **'000**	2010 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,075,737**	1,040,545
Effect of dilutive potential ordinary shares:		
Options	**7,114**	10,369
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,082,851**	1,050,914

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the placing on 19 April 2010 and the share options exercised during the year ended 31 December 2011 and 2010 respectively.

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 2010	41,478	480,195	77,880	14,681	21,489	682,287	93,140	1,411,150
Exchange adjustments	3,763	5,579	137	22	59	1,098	48	10,706
Additions	6,232	26,410	25,812	6,934	2,235	73,525	104,733	245,881
Disposals	–	–	(705)	(2,488)	(1,398)	(3,214)	–	(7,805)
Transfers	–	19,495	3,407	2,271	–	48,869	(74,042)	–
At 31 December 2010	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
DEPRECIATION AND IMPAIRMENT								
At 1 January 2010	–	72,210	31,327	6,319	14,379	204,520	4,047	332,802
Exchange adjustments	–	45	15	–	39	27	–	126
Provided for the year	–	24,728	15,477	2,802	2,517	64,738	–	110,262
Impairment loss recognised in profit or loss (note)	–	–	–	–	–	–	7,402	7,402
Eliminated on disposals	–	–	(665)	(77)	(1,208)	(2,030)	–	(3,980)
At 31 December 2010	–	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
CARRYING AMOUNT								
At 31 December 2011	49,921	479,747	59,692	17,664	9,864	630,065	193,583	1,440,536
At 31 December 2010	51,473	434,696	60,377	12,376	6,658	535,310	112,430	1,213,320

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 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 RMB19,910,000 (31 December 2010: RMB21,930,000) to secure general banking facilities granted to the Group.

Note: An impairment loss amounting to RMB7,402,000 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 during the year ended 31 December 2010. After the assessment by the management, no additional impairment loss is considered to be necessary during the year ended 31 December 2011.

16. PREPAID LEASE PAYMENTS

	2011 **RMB'000**	2010 RMB'000
Prepaid lease payments	**414,188**	313,394
Analysed for reporting purposes as:		
Current asset	**8,253**	6,708
Non-current asset	**405,935**	306,686
	414,188	313,394

Included in prepaid lease payments are PRC located land use rights with carrying amount of RMB42,317,000 (2010: RMB129,236,000) 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 right, if shorter.

17. GOODWILL

	2011	2010
	RMB'000	RMB'000
COST AND CARRYING VALUES		
At 31 December	**15,276**	15,276

The goodwill held by the Group as at 31 December 2011 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 2007, Jiaxing Minrong became a branch of a principal subsidiary of the Group.

Impairment test of goodwill

As at 31 December 2011, the carrying amount of goodwill allocated to the cash-generating unit of auto-parts manufacturing business of Jiaxing Minrong is RMB15,276,000 (2010: 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 20.06% (2010: 19.50%) 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	Technical know-how	Total
	RMB'000	RMB'000	RMB'000
COST			
At 1 January 2010	1,621	49,499	51,120
Additions	–	11,466	11,466
At 31 December 2010	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
AMORTISATION			
At 1 January 2010	1,621	31,369	32,990
Charge for the year	–	9,937	9,937
At 31 December 2010	1,621	41,306	42,927
Charge for the year	–	10,203	10,203
At 31 December 2011	1,621	51,509	53,130
CARRYING VALUES			
At 31 December 2011	–	32,527	32,527
At 31 December 2010	–	19,659	19,659

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

	2011 RMB'000	2010 RMB'000
Cost of unlisted investments in jointly controlled entities	**78,150**	78,150
Share of post-acquisition profits (losses), net of dividends received	**3,764**	(15,174)
Exchange difference	**(4,995)**	(3,399)
Interests in jointly controlled entities	**76,919**	59,577

As at 31 December 2011 and 2010, the Group had interests in the following jointly controlled entities:

Name of entities	Country of incorporation and operation	Attributable equity interest of the Group 2011 %	Attributable equity interest of the Group 2010 %	Paid-in capital	Principal activities
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:

	2011 RMB'000	2010 RMB'000
Current assets	**210,746**	177,377
Non-current assets	**123,033**	130,306
Current liabilities	**156,246**	173,586
Non-current liabilities	**22,407**	14,273
Net assets	**155,126**	119,824
Group's share of net assets	**76,919**	59,577
Revenue	**525,173**	411,364
Expenses	**35,506**	35,845
Profits and total comprehensive income for the year	**38,468**	39,624
Group's share of the profits for the year	**18,938**	19,535

20. INTERESTS IN ASSOCIATES

	2011 RMB'000	2010 RMB'000
Cost of unlisted investments in associates	**53,444**	47,379
Share of post-acquisition profits, net of dividends received	**54,514**	63,575
Share of net assets	**107,958**	110,954

As at 31 December 2011 and 2010, the Group had interests in the following associates:

Name of entities	**Country of incorporation and operation**	**Attributable equity interest of the Group** 2011	2010	**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. (note)	PRC	**35%**	N/A	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%**	N/A	US$2,000,000	Manufacture and sales of exhaust systems for automobiles

Note: newly established in 2011

20. INTERESTS IN ASSOCIATES (CONTINUED)

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

	2011 RMB'000	2010 RMB'000
Total assets	**329,310**	320,195
Total liabilities	**100,606**	91,214
Net assets	**228,704**	228,981
Group's share of net assets of associates	**107,958**	110,954
Revenue	**340,832**	355,482
Profit and total comprehensive income for the year	**70,492**	95,342
Group's share of the associates' profits for the year	**34,320**	46,229

21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2011 RMB'000	2010 RMB'000
Listed investments:		
– Equity securities listed in PRC	**157,481**	173,638

22. LOAN RECEIVABLES

	Maturity date	Effective interest rate	Carrying amount 2011 RMB'000	Carrying amount 2010 RMB'000
Fixed-rate loan receivables from a jointly controlled entity	31 August 2012/6 June 2011 (notes a and b)	the United States Prime Rate-0.5%/0.5%	**26,762**	27,621
Variable-rate loan receivables from a jointly controlled entity	five business days following written notice (notes c and d)	the United States Prime Rate-0.5%	**15,520**	29,693
Fixed-rate loan receivables from an associate	27 February 2012, 1 March 2012 & 2 June 2012/ 9 December 2011 (note e)	3.36%~3.37%/3.37%	**12,111**	3,094
			54,393	60,408

	Carrying amount 2011 RMB'000	Carrying amount 2010 RMB'000
Analysed as		
Current	**38,873**	30,715
Non-current	**15,520**	29,693
	54,393	60,408

Notes:

a. Included in the amount is the amount of interest receivables of approximately RMB551,000 (2010: RMB70,000).

b. During the year ended 31 December 2011, both the Group and the jointly controlled entity agreed to extend the maturity date of the amount from 6 June 2011 to 31 August 2012.

c. Included in the amount is the amount of interest receivables of approximately RMB398,000 (2010: RMB553,000).

d. Pursuant to the loan agreement, there is no fixed maturity date for the loan to a jointly controlled entity, the amount will become payable upon the call of the Group five days in advance. The directors of the Company consider that the Group will not ask for the repayment within the following 12 months, therefore, the loan is presented as a non-current asset in the consolidated financial statements.

e. Included in the amount is the amount of interest receivables of approximately RMB270,000 (2010: RMB6,000).

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 2011	**12,111**
As at 31 December 2010	3,094

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 2010	86	2,267	11,698	506	–	14,557
Credit (charge) to profit or loss	370	(485)	7,868	11,557	–	19,310
Effect of change in tax rate	–	–	(344)	–	–	(344)
At 31 December 2010	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

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 2010	(1,463)	(1,311)	(8,393)	–	(11,167)
(Charge) credit to profit or loss	(560)	30	(8,797)	–	(9,327)
Credit to other comprehensive income for the year	–	–	–	(1,756)	(1,756)
At 31 December 2010	(2,023)	(1,281)	(17,190)	(1,756)	(22,250)
(Charge) credit to profit or loss	(3,926)	30	(5,691)	–	(9,587)
Charge to other comprehensive income for the year	–	–	–	871	871
At 31 December 2011	(5,949)	(1,251)	(22,881)	(885)	(30,966)

At the end of the reporting period, the Group has unused tax losses of RMB68.8 million (2010: RMB45.6 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. RMB0.3 million (2010: nil) tax losses will expire in 2012, RMB0.6 million (2010: RMB0.6 million) tax losses will expire in 2013, RMB1.7 million (2010: RMB15.8 million) tax losses will expire in 2014, RMB28.9 million (2010: RMB28.9 million) tax losses will expire in 2015 and RMB37.3 million (2010: nil) tax losses will expire in 2016.

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 RMB1,992,366,000 (2010: RMB1,472,784,000) 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

	2011	2010
	RMB'000	RMB'000
Raw materials	**176,389**	160,791
Work in progress	**103,182**	72,771
Finished goods	**113,361**	96,681
Moulds	**122,421**	122,351
	515,353	452,594

During the year, allowance for inventories amounting to RMB2,413,000 (2010: reversal of allowance for inventories amounting to RMB3,222,000) has been recognised and included in cost of sales in the current year.

25. TRADE AND OTHER RECEIVABLES

	2011	2010
	RMB'000	RMB'000
Trade receivables		
– associates	**9,985**	13,534
– jointly controlled entities	**28,844**	31,143
– non-controlling shareholders of subsidiaries	**35,365**	30,643
– third parties	**806,929**	743,975
Less: Allowance for doubtful debts	**(6,142)**	(3,617)
	874,981	815,678
Bill receivables	**30,801**	49,471
	905,782	865,149
Other receivables	**41,491**	23,172
Less: Allowance for doubtful debts	**(289)**	(550)
	946,984	887,771
Prepayments	**103,527**	58,903
Value-added tax recoverable	**19,789**	1,758
Refundable guarantee deposit for acquisition of land use rights	**40,000**	41,057
Dividend receivable from an associate	**19,332**	17,084
Dividend receivable from a jointly controlled entity	**5,234**	5,234
Total trade and other receivables	**1,134,866**	1,011,807

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2011 RMB'000	2010 RMB'000
Age		
0–90 days	875,705	842,015
91–180 days	22,979	13,809
181–365 days	6,635	9,020
Over 1 year	463	305
	905,782	865,149

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. 96% (2010: 97%) 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 RMB36,674,000 (2010: RMB28,848,000) which are past due at the end of reporting period. However, the directors of the Company have considered the credit quality of the relevant customers and concluded that the Group is not required to provide for impairment loss. The average age of these receivables is 135 days (2010: 173 days).

Ageing of trade receivables which are past due but not impaired

	2011 RMB'000	2010 RMB'000
Age		
0–90 days	12,503	5,869
91–180 days	17,073	13,269
181–365 days	6,635	9,209
1–2 years	463	501
	36,674	28,848

The Group has provided fully provision for all receivables over 2 years because historical experience is such that receivables that are past due beyond 2 years are generally not recoverable.

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for doubtful debts

	2011 RMB'000	2010 RMB'000
1 January	4,167	3,007
Impairment losses recognised on receivables	3,013	2,025
Amounts written off as uncollectible	(749)	(865)
31 December	6,431	4,167

Included in the allowance for doubtful debts is impairment of RMB3,013,000 (2010: RMB2,025,000) recognised in respect of trade and other receivables on individual basis with an aggregate carrying amount of RMB30,895,000 (2010: RMB20,179,000) which the counterparties have either been placed under liquidation or in severe 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	**USD** RMB'000	**JPY** RMB'000	**EURO** RMB'000	**HKD** RMB'000
At 31 December 2011	**142,549**	**2,608**	**25,691**	**45**
At 31 December 2010	142,542	2,695	13,979	822

26. DERIVATIVE FINANCIAL ASSETS

	2011 RMB'000	2010 RMB'000
Derivative financial assets		
Foreign exchange forward contracts (a)	12,894	15,179
Structured option contracts (b)	2,099	820
	14,993	15,999
Derivative financial liabilities		
Foreign exchange forward contracts (a)	346	–
Interest rate swaps (c)	757	–
	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 2011

Notional amount	Maturity date	Exchange rates
Derivatives – monthly net settlement		
Sell USD227,000,000	9 January 2012 to 17 December 2012	USD1: RMB6.3600 to USD1: RMB6.7000
Sell EURO200,000	9 January 2012	EUR1: USD1.4482
Derivatives – monthly gross settlement		
Sell USD3,000,000	13 January 2012 & 26 January 2012	USD1: RMB6.5020 & USD1: RMB6.5100

31 December 2010

Notional amount	Maturity date	Exchange rates
Derivatives – monthly net settlement		
Sell USD49,000,000	25 January 2011 to 7 June 2012	USD1: RMB6.7000 to USD1: RMB6.8000
Sell EURO1,200,000	8 February 2011 to 8 July 2011	EUR1: USD1.4073 to EUR1: USD1.4112
Buy USD3,000,000	27 January 2011	EUR1: USD6.6270
Derivatives – monthly gross settlement		
Sell USD15,000,000	6 January 2011 to 6 September 2011	USD1: RMB6.7370 to USD1: RMB6.8000

At 31 December 2011, derivative financial assets of RMB12,894,000 (2010: RMB15,179,000) and derivative financial liabilities of RMB346,000 (2010: nil) has 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) Structured option contracts

At the end of reporting period, the Group had following outstanding structured option contracts.

31 December 2011

The trade date of the structured option contracts regarding the EURO against USD is 31 March 2011 and the monthly maturity date is from 4 October 2011 to 4 April 2012. There are options embedded in the structured option contracts:

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

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

The trade date of the structured option contracts regarding the USD against RMB is 14 June 2011 and the monthly maturity date is from 16 July 2012 to 17 December 2012. There are options embedded in the structured option contracts:

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

(ii) On each monthly maturity date, if the exchange rate of USD 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 structured option, the gain is calculated as (6.48-exchange rate)*USD3,000,000/exchange rate;

(iii) On each monthly maturity date, if the exchange rate of USD against RMB is at or over 6.48, the Company will get a loss from the structured option, the loss is calculated as (exchange rate-6.48)*USD4,500,000/exchange rate.

The trade date of the other structured option contracts regarding the USD against RMB is 14 June 2011 and the monthly maturity date is from 16 July 2012 to 17 December 2012. There are options embedded in the structured option contracts:

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

(ii) On each monthly maturity date, if the exchange rate of USD 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 structured option, the gain is calculated as (6.5-exchange rate)*USD2,000,000/exchange rate;

(iii) On each monthly maturity date, if the exchange rate of USD against RMB is at or over 6.5, the Company will get a loss from the structured option, the loss is calculated as (exchange rate-6.5)*USD3,000,000/exchange rate.

26. DERIVATIVE FINANCIAL ASSETS (CONTINUED)

(b) Structured option contracts (Continued)

The trade date of the structured option contracts regarding the EURO against USD is 30 September 2011 and the monthly maturity date is from 4 November 2011 to 4 October 2012. There are options embedded in the structured option contracts:

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

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

The trade date of the structured option contracts regarding the EURO against USD is 18 October 2011 and the monthly maturity date is from 23 January 2012 to 22 October 2012. There are options embedded in the structured option contracts:

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

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

The trade date of the structured option contracts regarding the EURO against USD is 28 October 2011 and the monthly maturity date is from 1 February 2012 to 1 November 2012. There are options embedded in the structured option contracts:

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

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

26. DERIVATIVE FINANCIAL ASSETS (CONTINUED)

(b) Structured option contracts (Continued)

31 December 2010

The trade date of the structured option contracts regarding the EURO against USD is 8 October 2010 and the monthly maturity date is from 12 November 2010 to 12 October 2011. There are options embedded in the structured option contracts:

(i) On each monthly maturity date, if the exchange rate of EURO against USD is at or below 1.26, the option will be terminated;

(ii) On each monthly maturity date, if the exchange rate of EURO against USD is over 1.26 and below 1.45, the Company has to sell EURO250,000 at the rate of 1.45;

(iii) On each monthly maturity date, if the exchange rate of EURO against USD is at or over 1.45, the Company has to sell EURO500,000 at the rate of 1.45.

The trade date of the structured option contracts regarding the USD against RMB is 7 July 2010 and the monthly maturity date is from 9 November 2010 to 9 June 2011. There are options embedded in the structured option contracts:

(i) On each monthly maturity date, if the exchange rate of USD against RMB is at or below the knock out rate from 6.69 to 6.61, the option will be terminated;

(ii) On each monthly maturity date, if the exchange rate of USD against RMB is over the knock out rate and below 6.82, the Company will get a gain from the structured option, the gain is calculated as (6.82-exchange rate)*USD2,000,000/exchange rate;

(iii) On each monthly maturity date, if the exchange rate of USD against RMB is at or over 6.82, the Company will get a loss from the structured option, the loss is calculated as (exchange rate-6.82)*USD4,000,000/exchange rate.

The trade date of the target redemption options contract regarding the EURO against USD is 13 July 2010 and the monthly maturity date is from 16 August 2010 to 18 January 2011. There are options embedded in the structured option contracts:

(i) On each monthly maturity date, if the exchange rate of EURO against USD is below 1.31, the Company will sell EURO250,000 at the rate of 1.31;

(ii) On each monthly maturity date, if the exchange rate of EURO against USD is at or over 1.31, the Company will sell EURO500,000 at the rate of 1.31.

At 31 December 2011, derivative financial assets of RMB2,099,000 (2010: RMB820,000) has been recognised. The fair value of the Group's structured option 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 mitigate its interest rate exposure.

Major terms of these contracts are as follows:

31 December 2011

Notional amount	Maturity date	Swaps
Derivatives – net settlement		
USD30,000,000	Quarterly from 2 June 2014 to 5 August 2014	From 0.79% to 1.09% for LIBOR

At 31 December 2011, derivative financial liabilities of 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.

At 31 December 2010, the Group has no significant outstanding interest rate swaps.

27. BANK BALANCES AND PLEDGED BANK DEPOSITS

Bank balances carry interest at market rates which range from zero to 3.5% per annum (2010: zero to 2.50%). The pledged deposits carry fixed interest rate which range from zero to 0.5% per annum (2010: zero to 0.36%). 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	USD RMB'000	HKD RMB'000	EURO RMB'000	JPY RMB'000
As at 31 December 2011	**245,739**	**19,833**	**23,233**	**8,726**
As at 31 December 2010	439,736	15,078	5,752	10,631

28. TRADE AND OTHER PAYABLES

	2011 RMB'000	2010 RMB'000
Trade payables		
– associates	**3,925**	5,032
– jointly controlled entities	**11,961**	26,942
– non-controlling shareholders of subsidiaries	**25,298**	21,533
– third parties	**342,070**	280,042
	383,254	333,549
Payroll and welfare payables	**70,182**	62,862
Advance from customers	**19,906**	27,366
Consideration payable of acquisition of property, plant and equipment	**42,002**	25,215
Dividend payable to non-controlling shareholders of subsidiaries	**–**	11,091
Technology support services fees payable	**34,157**	29,002
Freight and utilities payable	**26,491**	27,192
Marketing and administration services fees payable to a jointly controlled entity	**14,000**	5,669
Others	**66,703**	50,898
	656,695	572,844

The average credit period on purchases of goods is 30 days to 90 days.

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

	2011 RMB'000	2010 RMB'000
Age		
0 to 90 days	**373,568**	323,332
91 to 180 days	**5,623**	7,241
181 to 365 days	**1,942**	794
1–2 years	**563**	1,647
Over 2 years	**1,558**	535
	383,254	333,549

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	**USD** RMB'000	**JPY** RMB'000	**EURO** RMB'000	**HKD** RMB'000
As at 31 December 2011	**66,461**	**25,758**	**776**	**16,640**
As at 31 December 2010	60,604	19,452	258	303

29. BORROWINGS

	2011 **RMB'000**	2010 RMB'000
Bank loans	**820,846**	383,327
Other loans (note i)	**4,978**	24,123
	825,824	407,450
Secured (note ii)	**35,638**	44,543
Unsecured	**790,186**	362,907
	825,824	407,450
Fixed-rate borrowings	**7,545**	51,780
Variable-rate borrowings	**818,279**	355,670
	825,824	407,450

29. BORROWINGS (CONTINUED)

	2011 RMB'000	2010 RMB'000
Carrying amount repayable:		
On demand or within one year	582,614	407,450
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	–
	825,824	407,450

Notes:

(i) The amount represented loans granted by a non-controlling shareholder of a subsidiary through a bank.

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

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:

	2011 RMB'000	2010 RMB'000
Effective interest rate:		
Fixed-rate borrowings	5.2%	1.35% to 3.88%
Variable-rate borrowings	1.52% to 5.06%	1.41% to 4.94%

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	**USD** RMB'000	**JPY** RMB'000	**HKD** RMB'000
As at 31 December 2011	384,355	193,281	243,210
As at 31 December 2010	207,357	175,970	–

30. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2011	2010	**2011**	2010
	'000	'000	**HK$'000**	HK$'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	
	2011	2010	**2011**	2010
	'000	'000	**RMB'000**	RMB'000
Issued and fully paid				
At beginning of year	**1,073,850**	965,556	**108,904**	99,385
Issue of shares by private placement under general mandate	**–**	97,000	**–**	8,530
Exercise of share options	**2,797**	11,294	**235**	989
At end of year	**1,076,647**	1,073,850	**109,139**	108,904

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

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

31. 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.

32. 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:

	2011 RMB'000	2010 RMB'000
Within one year	**3,013**	3,284
In the second to fifth year inclusive	**70**	108
	3,083	3,392

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 rents out a part of its buildings under operating lease. Property rental income earned during the year was RMB4,612,000 (2010: RMB4,260,000).

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

	2011 RMB'000	2010 RMB'000
Within one year	**1,542**	3,462
In the second to fifth year inclusive	**58**	6,906
After five years	**25**	6,189
	1,625	16,557

33. COMMITMENTS

	2011 RMB'000	2010 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	**107,448**	95,142

34. 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.

At 31 December 2011, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 50,778,000 (2010: 14,650,000), representing 4.7% (2010: 1.4%) 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.

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price	Fair value at grant date
				HK$	HK$
2007A	01/02/07	01/02/07 to 31/01/08	01/02/08 to 12/11/10	6.31	0.97
2007B	01/02/07	01/02/07 to 31/01/09	01/02/09 to 12/11/10	6.31	1.26
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

34. 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 2011 and 2010:

Option type	Outstanding at 01/01/2011	Granted during the year	Exercised during the year	Forfeited during the year	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

Option type	Outstanding at 01/01/2010	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/2010
2007A	3,367,000	–	(3,367,000)	–	–	–
2007B	3,367,000	–	(3,367,000)	–	–	–
2008A	9,630,000	–	(4,560,000)	(25,000)	–	5,045,000
2008B	9,630,000	–	–	(25,000)	–	9,605,000
	25,994,000	–	(11,294,000)	(50,000)	–	14,650,000
Exercisable at the end of the year						5,045,000
Weighted average exercise price	HK$5.59	–	HK$5.92	HK$5.34	–	HK$5.34

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$12.09 (2010: HK$13.11).

34. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme: (Continued)

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

The estimated fair values of the options in 2008A and 2008B at the grant date are HK$17,888,000 (2007A and 2007B: HK$23,192,000). The inputs into the model were as follows:

	Option type			
	2008A	**2008B**	**2007A**	**2007B**
Grant date share price	HK$5.09	HK$5.09	HK$6.31	HK$6.31
Exercise price	HK$5.34	HK$5.34	HK$6.31	HK$6.31
Expected volatility	34.4%	34.1%	31.1%	30.3%
Expected life	1.75 years	2.80 years	1.40 years	2.52 years
Risk-free rate	2.43%	2.86%	3.99%	3.95%
Expected dividend yield	2.95%	2.95%	2.06%	2.06%

Expected volatility for the options in 2011A, 2011B and 2011C was determined by using the historical volatility of the Company's share price over the previous 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 RMB41,004,000 for the year ended 31 December 2011 (2010: RMB4,027,000) 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, 2008B, 2007A and 2007B. 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 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.

35. 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 RMB22,408,000 (2010: RMB14,395,000) represents contributions paid to the retirement benefits scheme by the Group in respect of the current accounting period.

36. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Saved as disclosed in note 22, note 25, note 28, note 29 and note 34, the Group has the following significant transactions with related/connected parties during the year:

Relationship with related/connected party	Nature of transactions	2011 RMB'000	2010 RMB'000
Jointly controlled entity, in which the Company has a 49% equity interest	Sales of finished goods	**22,558**	18,999
	Sales of raw materials and moulds	**4,336**	365
	Purchases of raw materials	**89,748**	84,466
	Purchase of finished goods	**73,742**	58,594
	Proceeds from disposal of property, plant and equipment	**1,628**	–
	Property rentals income	**2,361**	2,345
	Testing services income	**129**	272
	Testing services charges	**–**	59
Jointly controlled entity, in which the Company has a 49.82% equity interest	Sales of finished goods	**91,201**	51,812
	Sales of moulds	**12,966**	5,644
	Purchase of raw materials	**–**	10,376
	Consulting service income	**11,492**	9,154
	Property rentals income	**–**	310
	Interest income	**1,562**	1,379
	Property rentals charges	**7,752**	1,680
Associates, in which the Company has a 48% and 49% equity interest	Sales of finished goods	**70,185**	66,520
	Sales of raw materials and moulds	**9,471**	15,580
	Purchase of raw materials and moulds	**28,256**	23,408
	Property rentals income	**1,327**	1,231
	Testing services charges	**254**	678
	Technology support services charges	**–**	190
	Consulting service income	**329**	412
	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	**208,568**	204,253
	Purchase of raw materials and moulds	**99,221**	85,467
	Technology support services charges	**20,865**	24,559
	Purchase of intangible assets	**3,773**	8,531
	Purchase of equipments	**–**	308
	Interest expenses	**544**	1,007

36. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (CONTINUED)

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.

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

	2011 RMB'000	2010 RMB'000
Short-term benefits	6,212	5,566
Post-employment benefits	18	17
Share-based payments	9,619	891
	15,849	6,474

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

37. SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2011 and 31 December 2010 are as follows:

Name of subsidiary	Country of incorporation /registration	Attributable equity interest of the Group 2011	Attributable equity interest of the Group 2010	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

37. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Country of incorporation /registration	Attributable equity interest of the Group 2011	2010	Issued shares	Principal activities
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
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 (HK) 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

37. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Country of incorporation /registration	Attributable equity interest of the Group 2011	2010	Issued shares	Principal activities
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
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
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$157,000,000	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

37. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Country of incorporation /registration	Attributable equity interest of the Group 2011	2010	Issued shares	Principal activities
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, 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
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
嘉興敏橋汽車零部件有限公司 (Jiaxing Minth Hashimoto Automotive Parts Co., Ltd.)	PRC as a foreign equity joint venture enterprise	65%	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

37. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Country of incorporation /registration	Attributable equity interest of the Group 2011	2010	Issued shares	Principal activities
Minth AAPICO (Thailand) Co., Ltd.	Thailand	**60%**	60%	Baht178,500,000	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
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
寧波市泰鋭貿易有限公司	PRC as a WOFE	**100%**	100%	RMB5,000,000	Wholesale of materials of automobile spare parts
Minth Mexico, S.A. DE C.V.	Mexico	**100%**	100%	Peso153,536,790	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

37. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Country of incorporation /registration	Attributable equity interest of the Group 2011	2010	Issued shares	Principal activities
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
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.)	PRC as a WOFE	100%	100%	US$500,000	Management consulting
淮安和裕服務有限公司 (Huaian Heyu Service Co., Ltd.)	PRC as a WOFE	100%	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 ii & iii)	PRC as a foreign equity joint venture enterprise	50%	N/A	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.) (Note ii)	PRC as a WOFE	100%	N/A	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 (Note ii)	PRC as a WOFE	100%	N/A	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 ii & iii)	PRC as a foreign equity joint venture enterprise	50%	N/A	US$5,000,000	Design, manufacture develop and sales of automobile body parts
Minth International Macao Commercial Offshore Limited (Note ii)	Macau	100%	N/A	MOP100,000	Investment holding
柳州敏瑞汽車零部件有限公司 (Liuzhou Minrui Automotive parts Co., Ltd.) (Note ii)	PRC as a WOFE	100%	N/A	RMB7,000,000	Design, develop and sales of automobile body parts

37. SUBSIDIARIES (CONTINUED)

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

Note ii Newly established in 2011.

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.

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

38. 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:

	2011 RMB'000	2010 RMB'000
Unlisted investments in subsidiaries	**3,864,345**	3,640,624
Furniture and equipment	**462**	530
Derivative financial assets	**9,090**	14,013
Bank balances and cash	**69,774**	11,092
Other current assets	**411**	802
Total assets	**3,944,082**	3,667,061
Amounts due to subsidiaries	**688,143**	629,295
Borrowings	**743,873**	207,357
Other payables	**2,943**	373
Total liabilities	**1,434,959**	837,025
Net assets	**2,509,123**	2,830,036
Share capital	**109,139**	108,904
Reserves	**2,399,984**	2,721,132
Total equity	**2,509,123**	2,830,036

39. EVENT AFTER THE REPORTING PERIOD

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.