



MINTH GROUP LIMITED

敏實集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 425



Interim Report
2014



CORE VALUES

Integrity
Trust
Teamwork
Embrace change

STRATEGIC OBJECTIVE

Endeavoring to become a leader
in the global automobile parts industry

MISSION & VISION

We create beauty in motion

敏于思，實于行

INTELLIGENCE IS ACTIONAL

CONTENTS

2	Corporate Information
4	Management Discussion and Analysis
24	Other Information
29	Independent Auditor's Report
31	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
33	Condensed Consolidated Statement of Financial Position
35	Condensed Consolidated Statement of Changes in Equity
37	Condensed Consolidated Statement of Cash Flows
39	Notes to the Condensed Consolidated Financial Statements

The Board

Executive directors

Chin Jong Hwa (*Chairman*)

Shi Jian Hui (*Chief Executive Officer*)

Zhao Feng

Kawaguchi Kiyoshi

(*resigned on 29 May 2014*)

Bao Jian Ya (*appointed on 29 May 2014*)

Non-executive directors

Yu Zheng

He Dong Han

Independent non-executive directors

Wang Ching

Zhang Li Ren

Wu Fred Fong

Company Secretary

Loke Yu

Registered Office

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Grand Cayman KY1-1111

Cayman Islands

Head Office and Principal Place of Business in China

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Development Zone

Postal Code 315800

China

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Website: www.minthgroup.com

Principal Place of Business in Hong Kong

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Wan Chai, Hong Kong

Principal Bankers

Bank of China

Ningbo Development Zone sub-branch

21 Donghai Road

Ningbo Economic and Technology
Development Zone

China

Citibank N.A.

Hong Kong Branch

50/F Citibank Tower

No.3 Garden Road

Central

Hong Kong

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Legal Advisers to the Company

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

As to PRC Law
Zhejiang T&C Law Firm
11/F Block A Dragon Century Square
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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

Industry Overview

During the six months ended 30 June 2014 (the “Review Period”), the production and sales of China’s passenger vehicles were 9,708,500 units and 9,633,800 units respectively, representing a year-on-year growth of 12.05% and 11.18% respectively, indicating a steady growth in the market, among which, there was a distinct increase in the sales of SUVs and MPVs. Meanwhile, the production and sales of sedans climbed up slowly while the luxury brand vehicles were in a continuous rapid growth, and the market concentration level increased gradually on a yearly basis. Foreign automobile brands in China outperformed, while Chinese local automobile brands continued to lose market share.

During the Review Period, the sales of passenger vehicles in mature auto markets achieved sustainable growth. The sales of passenger vehicles in the US market kept rising. Nevertheless, as affected by the expiry of the US government subsidies, the sales growth in the US market slowed down. With the weakening of the impact of the European sovereign debt crisis, European auto market embraced an upward trend after years of gloom. Impacted by the expiry of the subsidy for the fuel-efficient cars, the sales volume of passenger vehicles in the Japanese market dropped last year, but has resumed its growth momentum in the Review Period. The sales of passenger vehicles in most of the emerging markets plunged. Among the BRIC countries, China is the only one recorded a growth in sales. While other major emerging markets, such as Mexico and Thailand, saw a decline in sales of passenger vehicles.

Company Overview

Minh Group Limited (the “Company”) together with its subsidiaries (collectively the “Group”) is primarily engaged in the design, manufacture and sales of trims, decorative parts, body structural parts and other related auto parts. Its manufacturing bases in China, the US, Mexico, Thailand and Germany spread over main markets of its customers. With the support of the technical centers in China, Japan, North America and Germany, the Group is able to provide services to the global market and meet growing demand of customers.

During the Review Period, the concurrent design capability and global just-in-time delivery of the Group continued to win the recognition of its customers. The Group obtained orders from global platform vehicles and high-end car models, laying a solid foundation for its future development and setting a good example for the Group to secure more similarly high quality orders in the future. To satisfy growing demand of its global business, the Group kept optimizing the management of global standardization. During the Review Period, the Group added the supply chain management organization and function, enhanced the whole value chain logistics management, and planned to implement supply chain management information system, aiming to satisfy the delivery and control requirements of global platform vehicle orders as well as the requirements of customers for logistics and quality traceability. In addition, the Group has implemented a Business Operation System, which is directed at continuously improving the Group's business management through adopting standard business process, unified data standard and key performance indicators.

The Group enhanced communication and coordination with existing partners and carried out various forms of cooperation. Overseas development of the Group was further strengthened during the Review Period. Meanwhile, the Group optimized its internal organizational structure, learned from advanced research and development ("R&D") management based on the latest industry practices, improved its professional R&D capability and strove for technical breakthroughs. It also established a protection system for intellectual property rights locally and internationally to protect R&D products of the Group.

Business and Operation Layout

During the Review Period, the domestic revenue of the Group was approximately RMB2,018,663,000, representing an increase of approximately 21.6% compared with approximately RMB1,660,159,000 in the same period in 2013. Thanks to stable growth in major overseas markets and an increase in orders of global platform vehicles, the Group's overseas revenue maintained a sustainable growth, with approximately RMB1,132,258,000, representing an increase of approximately RMB319,705,000 or approximately 39.3% compared with approximately RMB812,553,000 in the same period in 2013.

During the Review Period, the Group continued its efforts on customer diversification. With solid business partnership with BMW, the Group was also in a position to extend its reach to other European customers. Furthermore, the Group had full access to the overseas procurement system of Volkswagen Group and the global procurement system of Mercedes-Benz, and requests for quotations and new business intake from luxury brands showed a significant increase as compared to the previous period. During the Review Period, the Group obtained orders for the new BMW 5 Series Sedan, and the revenue contribution from BMW electric vehicles business was also on an upward trend. Meanwhile, the Group also obtained new business orders for the relevant models of Audi, Benz, Cadillac and others.

During the Review Period, the Group continued to step up its efforts in developing its global business, and was admitted to global procurement system by more original equipment manufacturers (“OEMs”). The business of global platform vehicles was also equipped with growth momentum. In addition to the global orders from European customers, the Group also continued to strengthen its cooperation with Japanese OEMs. The Group has further consolidated its global business with Nissan and laid a foundation for the development of Honda’s global business by obtaining new orders for the global procurement needs of Nissan and Honda.

During the Review Period, the Group continued exploring new materials markets and investing in the R&D and application of aluminum products, which resulted in the substantial growth of new business of aluminum products. The Group fully entered into the overseas procurement system for aluminum products of Volkswagen Group, expanded the aluminum products business from new car models of Audi, Benz and GM and secured its supply of BMW aluminum products. The Group strove to build up a strategic production base for aluminum products located in Huai’an, Jiangsu, where a subsidiary of the Group had obtained supplier qualification of aluminum trim products from Volkswagen, Benz and PSA.

In respect of investment, the Group acquired 50.18% equity interest in its joint venture in the US, Plastic Trim International Inc. (“PTI”), at total considerations of US Dollar (“USD”) 9,290,000, representing cash payments of USD5,450,000 and settlement of a shareholder’s loan of PTI amounting to USD3,840,000 during the Review Period. PTI became a wholly-owned subsidiary of the Group after the completion of the acquisition. Such acquisition would contribute positively to the Group’s business development and market share in North America, and will also facilitate the growth of the Group’s business in China and other overseas markets at the same time. In respect of production layout, the Group added various large production lines in China and overseas production bases, which will further drive the manufacturing layout optimization and capacity equalization of the Group during the Review Period. In addition, the Group developed strategic plans to build one of its East China Regions as a production base specializing in the production of stainless steel trims, so as to improve the Group’s global market share in stainless steel trims through vertical integration of supply chain together with its competitive edges in cost, quality and efficiency.

Research and Development

During the Review Period, the technical capabilities in respect of parts for its welfare vehicles and new energy vehicles was more comprehensive, equipped with R&D capability for aluminum products and gained recognition from relevant customers. The Group strengthened the technical development of the application of new materials and techniques, achieved technical breakthroughs in the related process of chrome plating and anodizing, and became even more capable of meeting the requirements of its high-end customers in appearance and performance in respect of surface treatment process. In response to the increasing global concurrent design orders, the Group built a global R&D network by integrating global resources and overseas advanced technologies, and strengthened its communication and exchange with R&D organizations of major customers and improved internal R&D workflow in order to uplift the Group’s global concurrent development capability. During the Review Period, the Group provided concurrent design validation and prototype development for the global platform vehicles of various OEMs.

The Group continued its emphasis on protecting its intellectual property rights. It obtained a certification of protection system of intellectual property rights and actively applied for international patents. During the Review Period, the Group filed an additional 102 patent applications for approval, 63 of which were authorized by competent institutions.

Financial Review

	Six months ended 30 June 2014 RMB'000	Six months ended 30 June 2013 RMB'000
Revenue	3,150,921	2,472,712
Gross profit	1,023,381	822,858
Profit before tax	676,046	611,588
Income tax expense	(88,986)	(88,300)
Profit for the period attributable to:		
Owners of the Company	562,254	499,031
Non-controlling interests	24,806	24,257

Results

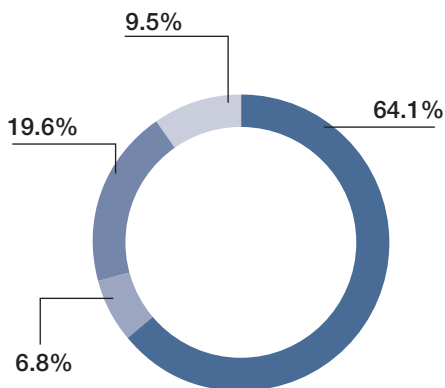
During the Review Period, the Group's revenue was approximately RMB3,150,921,000, representing an increase of approximately 27.4% from approximately RMB2,472,712,000 in the same period in 2013. It was mainly attributable to the revenue growth both in the domestic and overseas markets achieved by the Group resulting from the Group's insightful layout for the aforesaid markets.

During the Review Period, the profit attributable to owners of the Company was approximately RMB562,254,000, representing an increase of approximately 12.7% from approximately RMB499,031,000 in the same period in 2013. It was mainly attributable to an increase in revenue and continuous and stringent control of costs and expenses adopted by the Group, resulting in an overall favorable profitability for the Group.

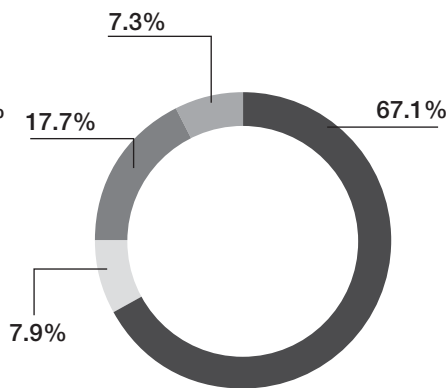
Segment Revenue

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

Customer category	Six months ended 30 June 2014		Six months ended 30 June 2013	
	RMB'000	%	RMB'000	%
China	2,018,663	64.1	1,660,159	67.1
Asia Pacific	213,265	6.8	196,390	7.9
North America	618,266	19.6	436,928	17.7
Europe	300,727	9.5	179,235	7.3
Total turnover	3,150,921	100.0	2,472,712	100.0



Six months ended 30 June 2014



Six months ended 30 June 2013

64.1%	■	China	■	67.1%
6.8%	■	Asia Pacific	■	7.9%
19.6%	■	North America	■	17.7%
9.5%	■	Europe	■	7.3%

Gross Profit

During the Review Period, the Group's overall gross profit margin was approximately 32.5%, representing a decrease of approximately 0.8% from approximately 33.3% in the same period in 2013. It was mainly due to the continuous pressure from the decline in product price and the prevailing rise in labor costs. The Group persistently undertook measures, including continuous improvement in the manufacturing processes, a greater utilization rate of materials and implementation of a centralized procurement policy to offset the unfavorable impact of the market, as well as further improved the efficiency of both production and management to maintain the overall gross profit margin at a decent level.

Investment Income

During the Review Period, the investment income of the Group was approximately RMB63,115,000, representing an increase of approximately RMB20,464,000 from approximately RMB42,651,000 in the same period in 2013. It was mainly due to an increase in interest income.

Other Income

During the Review Period, other income of the Group amounted to approximately RMB99,536,000, representing an increase of approximately RMB27,375,000 as compared to approximately RMB72,161,000 in the same period in 2013. It was mainly attributable to an increase in government subsidies.

Other Gains and Losses

During the Review Period, the Group's other gains and losses amounted to a net gain of approximately RMB14,994,000, representing a decrease of approximately RMB46,248,000 as compared to the net gain of approximately RMB61,242,000 in the same period in 2013. It was mainly attributable to a decrease in the gain from forward exchange contracts entered into by the Group, as well as foreign exchange losses arising from fluctuation in exchange rates during the Review Period.

Distribution and Selling Expenses

During the Review Period, the Group's distribution and selling expenses amounted to approximately RMB109,035,000, representing an increase of approximately RMB38,028,000 from approximately RMB71,007,000 in the same period in 2013. It accounted for approximately 3.5% of the revenue of the Group, representing an increase of approximately 0.6% from approximately 2.9% in the same period in 2013. It was mainly attributable to an increase in expenses resulting from the growth of overseas revenue.

Administrative Expenses

During the Review Period, the administrative expenses of the Group amounted to approximately RMB262,736,000, representing an increase of approximately RMB65,933,000 from approximately RMB196,803,000 in the same period in 2013. It was mainly resulting from a rise in labor costs arising from the introduction of high-level personnel, pay rise for employees and grant of share options for maintaining competitiveness amid the growth of the Group's revenue.

Research Expenditures

During the Review Period, the research expenditures of the Group amounted to approximately RMB140,437,000, representing an increase of approximately RMB23,481,000 from approximately RMB116,956,000 in the same period in 2013. It was mainly attributable to an increase in labor costs arising from the Group's introduction of high-level R&D personnel to enhance its R&D capabilities in order to maintain its market competitiveness and sustainability.

Share of Profits of Joint Ventures

During the Review Period, the Group's share of profits of joint ventures recorded a net loss of approximately RMB1,136,000, representing a decrease of approximately RMB10,522,000 from profits of approximately RMB9,386,000 in the same period in 2013, which was mainly due to a loss of a joint venture.

Share of Profits of Associates

During the Review Period, the Group's share of profits of associates was approximately RMB21,843,000, representing an increase of approximately RMB7,087,000 from approximately RMB14,756,000 in the same period in 2013. It was mainly attributable to the increase in the profit of an associate resulting from its revenue growth.

Income Tax Expense

During the Review Period, the Group's income tax expense was approximately RMB88,986,000, representing an increase of approximately RMB686,000 from approximately RMB88,300,000 in the same period in 2013.

During the Review Period, the effective tax rate was approximately 13.2%, representing a decrease of approximately 1.2% from approximately 14.4% in the same period in 2013.

Profit Attributable to Non-Controlling Interests

During the Review Period, the Group's profit attributable to non-controlling interests was approximately RMB24,806,000, which remained at a similar level to approximately RMB24,257,000 in the same period in 2013.

Liquidity and Financial Resources

As of 30 June 2014, the Group's total cash and bank balances amounted to approximately RMB3,773,745,000, representing a decrease of approximately RMB345,446,000 compared to approximately RMB4,119,191,000 as of 31 December 2013. As of 30 June 2014, the Group's low-cost borrowings amounted to approximately RMB2,834,300,000, among which the equivalent of approximately RMB1,887,083,000, approximately RMB644,169,000, approximately RMB169,905,000, approximately RMB63,435,000, approximately RMB39,257,000 and approximately RMB30,451,000 were denominated in USD, Hong Kong Dollar ("HKD"), EURO ("EUR"), Japanese Yen ("JPY"), Thai Baht

(“THB”) and RMB respectively, representing an increase of borrowings of approximately RMB423,970,000 as compared to approximately RMB2,410,330,000 as of 31 December 2013. The increase was mainly due to the borrowings that the Group brought in after considering the consolidated gains from exchange rates, interest rates and capital.

During the Review Period, the net cash flow from the Group’s operating activities was approximately RMB412,444,000, indicating a sound cash flow.

Receivables turnover days were approximately 79 days, extending about 4 days from approximately 75 days for the same period in 2013. This was mainly due to the fact that the balance of the receivables of a joint venture of the Group was combined into the Group while its revenue was not consolidated after its equity interest was acquired by the Group, as well as the relatively high balance of the receivables at the beginning of the year resulting from substantial revenue growth in the fourth quarter of 2013, thus the receivables turnover days calculated accordingly were extended compared with the same period in 2013.

Payables turnover days were approximately 52 days, decreased by approximately 2 days from approximately 54 days in the same period in 2013.

Inventory turnover days were approximately 59 days, the same as approximately 59 days in the same period in 2013.

As of 30 June 2014, the Group’s current ratio decreased to approximately 2.0 from approximately 2.1 as of 31 December 2013. The gearing ratio increased to approximately 23.4% from approximately 21.0% as of 31 December 2013.

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

The Group’s capital demands had no particular seasonality features.

The Group believed that during the Review Period, the favorable performance in sales, production and R&D activities, as well as the sound cash reserves have provided a strong protection for the Group’s future sustainable growth.

Commitments

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	318,839	307,088
Acquisition of land use rights	–	3,162

Interest Rate and Foreign Exchange Risks

As of 30 June 2014, the balance of the Group's bank borrowings was approximately RMB2,834,300,000, of which approximately RMB2,803,849,000 was at floating interest rates and approximately RMB30,451,000 were at fixed interest rate. These borrowings had no seasonality features. In addition, approximately RMB2,616,766,000 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 RMB1,825,555,000, approximately RMB644,169,000, approximately RMB85,432,000 and approximately RMB61,610,000 were denominated in USD, HKD, EUR and JPY respectively.

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

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

As of 30 June 2014, the Company and certain subsidiaries had an aggregate bank balance of approximately RMB454,489,000 which was denominated in currencies other than the functional currencies, of which approximately RMB193,545,000 was denominated in USD, approximately RMB188,865,000 was denominated in HKD, approximately RMB20,714,000 was denominated in JPY, approximately RMB49,617,000 was denominated in EUR and the remainder of approximately RMB1,748,000 was denominated in other foreign currencies. In order to mitigate the foreign exchange risk, the Group has delegated a team responsible for the planning of related work.

Contingent Liabilities

As of 30 June 2014, the Group had no contingent liabilities (31 December 2013: Nil).

Mortgaged Assets

As of 30 June 2014, the Group had borrowings of approximately USD94,210,000 (equivalent to approximately RMB579,658,000), approximately RMB5,451,000, JPY30,000,000 (equivalent to approximately RMB1,824,000) and HKD199,500,000 (equivalent to approximately RMB158,363,000) secured by bank deposits of approximately RMB961,116,000 and freehold lands with a net book value of approximately RMB22,595,000, including borrowings of USD27,000,000 secured by mortgage of approximately RMB178,571,000, which actually occurred on 1 July 2014. The borrowings are to be settled in USD, RMB, JPY and HKD respectively (31 December 2013: the Group had borrowings of approximately RMB596,400,000, USD10,000,000 (equivalent to approximately RMB60,969,000) and HKD126,000,000 (equivalent to approximately RMB99,061,000) secured by bank deposits of approximately RMB782,960,000). The Group has also pledged freehold lands and buildings with a net book value of approximately RMB18,778,000 (31 December 2013: approximately RMB18,514,000) to secure general banking facilities granted to the Group.

Capital Expenditure

Capital expenditure includes the acquisition of property, plant and equipment, the increase in construction in progress and the addition of land use rights. During the Review Period, the Group's capital expenditure amounted to approximately RMB636,104,000 (the same period in 2013: approximately RMB378,444,000). The increase in capital expenditure was attributable to the Group's capacity expansion, the increase of production facilities and land reserves.

Placing and Subscription

The Group had no placing or subscription of shares during the Review Period.

Material Acquisitions and Disposals

Save for the acquisition of the remaining 50.18% equity interest in PTI, the Group made no other material acquisitions or disposals during the Review Period.

Employees

As of 30 June 2014, the Group had a total of 9,348 employees. The total number of employees increased by 406 compared to 31 December 2013. During the Review Period, the Group completed its roll out of the Company's Core Values and Code of Conduct training to all employees in China. Every white collar and management employees received a copy of the Company's Code of Conduct and signed a commitment and acknowledgement form. The roll out of the similar training to the rest of the world where the Group have operations will be completed in the second half of 2014.

The major components of variable remuneration in the Group are cash-based variable bonuses under the global short-term incentive ("STI") plan and share-based awards under the long-term incentive ("LTI") program. The global STI plan aims to foster a pay-for-

performance culture and reward employees appropriately, commensurate with performance and the return to shareholders for the financial year. The objective of the LTI program is to align the interests of management with those of shareholders and have participants focus on the sustainable longer-term performance and financial strength of the Group. At the beginning of 2014, the Company offered to grant share options to a number of eligible participants (the “Grantees”) pursuant to the share option scheme adopted by the Company on 22 May 2012. Further details of the grant of share options are set out in the Company’s announcement dated 11 January 2014. The Group may pursue claw-backs of deferred remuneration after vesting in the event of fraud, misconduct or material misstatement of reported performance.

Directors

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

Executive Directors

Chin Jong Hwa (*Chairman*)

Shi Jian Hui (*Chief Executive Officer*)

Zhao Feng

Kawaguchi Kiyoshi (*resigned on 29 May 2014*)

Bao Jian Ya (*appointed on 29 May 2014*)

Non-executive Directors

Yu Zheng

He Dong Han

Independent non-executive Directors

Wang Ching

Zhang Li Ren

Wu Fred Fong

Share Option Schemes

The Company adopted a conditional share option scheme (the “Share Option Scheme”) on 22 May 2012, which aims at granting share options to those qualified persons who have contributed or will contribute to the Group as a reward or incentive.

All Directors and employees of the Group, and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, services providers of any member of the Group whom the Board considers, in its sole discretion, have contributed or will contribute to the Group are eligible to participate in the Share Option Scheme.

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

The total number of shares of the Company (“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 Company must not in aggregate exceed 10% (“General Scheme Limit”) of the Shares in issue on 22 May 2012, the date when the Company adopted the Share Option Scheme. The Company may renew the General Scheme Limit with shareholders’ approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the shareholders’ approval.

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

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

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option. A nominal consideration of HKD1.00 is payable on acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the Share Option Schemes at any time during the period to be determined and notified by the Board to each grantee at the time of making an offer of the grant of an option which shall not expire later than 10 years from the date of grant of the option.

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

Management Discussion and Analysis

During the Review Period, the total number of Share Options the Company granted to the employees including the Directors amounted to 13,580,000 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 92,615,500 Share Options, representing 8.45% of the 1,095,918,000 Shares in issue as at 29 August 2014, being the date of this report. Details are as follows:

Name and status of participants	Number of Share Options (Note 1)					Date of Grant (Note 2)	Exercise Period (Note 3)	Exercise price per share (HKD) (Note 4)
	Outstanding as at 1 January 2014	Granted during the Period	Exercised during the Period	Lapsed during the Period	Outstanding as at 30 June 2014			
Directors, chief executives, and substantial shareholders and their respective connected persons								
Mr. Shi Jian Hui	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
	-	90,000	-	-	90,000	16-1-2014	1-6-2014 to 31-5-2019	15.84
	-	90,000	-	-	90,000	16-1-2014	1-6-2015 to 31-5-2019	15.84
	-	120,000	-	-	120,000	16-1-2014	1-6-2016 to 31-5-2019	15.84
Mr. Zhao Feng	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
	-	75,000	-	-	75,000	16-1-2014	1-6-2014 to 31-5-2019	15.84
	-	75,000	-	-	75,000	16-1-2014	1-6-2015 to 31-5-2019	15.84
	-	100,000	-	-	100,000	16-1-2014	1-6-2016 to 31-5-2019	15.84
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

Number of Share Options (Note 1)

Name and status of participants	Outstanding as at 1 January 2014	Granted during the Period	Exercised during the Period	Lapsed during the Period	Outstanding as at 30 June 2014	Date of Grant (Note 2)	Exercise Period (Note 3)	Exercise price per share (HKD) (Note 4)
Ms. Bao Jian Ya	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
	-	105,000	-	-	105,000	16-1-2014	1-6-2014 to 31-5-2019	15.84
	-	105,000	-	-	105,000	16-1-2014	1-6-2015 to 31-5-2019	15.84
	-	140,000	-	-	140,000	16-1-2014	1-6-2016 to 31-5-2019	15.84
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
Subtotal	5,500,000	900,000	-	-	6,400,000			
Other Participants	7,055,000	-	397,400	-	6,657,600	10-6-2011	1-2-2012 to 12-11-2016	10.89
	7,055,000	-	397,400	-	6,657,600	10-6-2011	1-2-2013 to 12-11-2016	10.89
	11,212,000	-	487,200	132,000	10,592,800	10-6-2011	1-2-2014 to 12-11-2016	10.89
	554,000	-	89,500	1,000	463,500	31-5-2012	30-5-2013 to 30-5-2017	9.13
	738,000	-	45,500	120,000	572,500	31-5-2012	30-5-2014 to 30-5-2017	9.13
	984,000	-	-	260,000	724,000	31-5-2012	30-5-2015 to 30-5-2017	9.13
	-	3,415,500	-	37,500	3,378,000	16-1-2014	1-6-2014 to 31-5-2019	15.84
	-	3,804,000	-	156,000	3,648,000	16-1-2014	1-6-2015 to 31-5-2019	15.84
-	4,942,500	-	168,500	4,774,000	16-1-2014	1-6-2016 to 31-5-2019	15.84	
-	518,000	-	158,000	360,000	16-1-2014	1-6-2017 to 31-5-2019	15.84	
Subtotal	27,598,000	12,680,000	1,417,000	1,033,000	37,828,000			
Total	33,098,000	13,580,000	1,417,000	1,033,000	44,228,000			

Note 1: Numbers of Shares over which options granted either under the share option scheme which was originally adopted by the Company on 13 November 2005 and was subsequently terminated on 22 May 2012 ("2005 Share Option Scheme") or 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 pursuant to the 2005 Share Option Scheme on 10 June 2011, i.e. on 9 June 2011 was HKD11.02, and pursuant to the Share Option Scheme on (i) 31 May 2012, i.e. on 30 May 2012 was HKD9.14, (ii) 16 January 2014, i.e. on 15 January 2014 was HKD16.00.

Note 3: The option period for the Share Options granted on 10 June 2011 is for five years five months and two days and the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 1 February 2012; (ii) up to a further 30% of the Share Options granted on or after 1 February 2013; and (iii) all of the remaining Share Options granted on or after 1 February 2014. The option period for the Share Options granted on 31 May 2012 is for four years eleven months and thirty days and the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 30 May 2013; (ii) up to a further 30% of the Share Options granted on or after 30 May 2014; and (iii) all of the remaining Share Options granted on or after 30 May 2015. The option period for the Share Options granted on 16 January 2014 is for five years four months and fifteen days. If the Grantees' period of service within the Company is or more than one year as of 1 June 2014, the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 1 June 2014; (ii) up to a further 30% of the Share Options granted on or after 1 June 2015; and (iii) all of the remaining Share Options granted on or after 1 June 2016. If the Grantees' period of service within the Company is less than one year as of 1 June 2014, the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 1 June 2015; (ii) up to a further 30% of the Share Options granted on or after 1 June 2016; and (iii) all of the remaining Share Options granted on or after 1 June 2017.

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.

During the Review Period, the Grantees exercised 1,417,000 Share Options, and 1,033,000 Share Options lapsed due to the resignations of the Grantees who are not Directors.

Save as disclosed above, no option was granted, exercised, cancelled or lapsed during the six months ended 30 June 2014.

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

Outlook and Strategies

Thanks to China's macro economy being in a steady growth phase, China's passenger vehicle market is expected to keep a reasonable return on growth in the second half of 2014. Sound performance of China's passenger vehicle market in the Review Period also won both space and time for the strategic plan of the OEMs in the next half year. In 2014, the steady growth of mature markets such as China, North America and Western Europe are expected to continue, while emerging markets such as South Asia, Japan, Korea, South America and Eastern Europe are expected to decline as compared to the same period last year.

The Group will pursue the overall strategy of globalization and balanced development through better cooperation with global customers to gain more global orders, improving global layout, maintaining cost advantages, as well as paying attention to the balanced development among regional business structure, customer structure and core product structure. In addition, the Group will constantly strengthen the global market share of traditional products, make greater efforts to promote the business of key products, and actively explore the expansion of new products.

The Group will continue to exploit the restructuring opportunity of global automobile industry to seek for industrial cooperation, explore development opportunities and suitable investment targets, further develop its domestic and overseas production bases and enhance the global supply capability to meet the customers' growing demand, striving to become a leading supplier in the global automobile parts industry.

Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (the same period in 2013: Nil).

Substantial Shareholders

As at 30 June 2014, the interests or short positions of every person, other than the Directors or chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (“the SFO”), were as follows:

Name of Substantial Shareholder	Capacity	Long/Short position	Total Number of Ordinary Shares	Percentage of the Company's Issued Share Capital (Note 1)
Wei Ching Lien (“Ms. Wei”)	Interest of spouse	Long position	442,990,000 (Note 2)	40.53%
Linkfair Investments Limited (“Linkfair”)	Beneficial owner	Long position	442,990,000 (Note 3)	40.53%
The Capital Group Companies, Inc.	Interest of controlled corporations	Long position	109,140,000 (Note 4)	9.98%
Commonwealth Bank of Australia	Interest of controlled corporations	Long position	87,452,000 (Note 5)	8.00%
Matthews International Capital Management, LLC	Investment manager	Long position	77,543,000	7.09%
JPMorgan Chase & Co.	Beneficial owner	Long position	516,670	0.05%
	Investment manager	Long position	11,002,000	1.01%
	Custodian corporation/ approved lending agent	Long position	44,135,971 (Note 6)	4.04%

Note 1: The percentage of the Company's issued share capital of 1,093,106,000 Shares as at 30 June 2014.

Note 2: As at 30 June 2014, Linkfair was beneficially interested in 442,990,000 Shares. Linkfair was wholly-owned by Mr. Chin Jong Hwa (“Mr. Chin”) and he was therefore deemed to be interested in the entire 442,990,000 Shares held by Linkfair. Since Ms. Wei is the spouse of Mr. Chin, Ms. Wei was deemed to be interested in the 442,990,000 Shares in which Mr. Chin was deemed to be interested.

Note 3: As at 30 June 2014, Linkfair, a company wholly-owned by Mr. Chin, was beneficially interested in 442,990,000 Shares.

Note 4: As at 30 June 2014, 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 86,974,000 Shares in aggregate that are directly held by the 4 entities 100% controlled by it, namely, Capital Guardian Trust Company (22,548,000 Shares), Capital International, Inc. (33,296,000 Shares), Capital International Limited (538,000 Shares) and Capital International Sarl (30,592,000 Shares)) and Capital Research and Management Company (an entity which is deemed by the SFO to be interested in 22,166,000 Shares).

Note 5: As at 30 June 2014, 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 Commonwealth Bank of Australia.

Note 6: As at 30 June 2014, 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.

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

As at 30 June 2014, the interests and short positions of the Directors and the chief executives in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and Division 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix

Other Information

10 of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”), were as follows:

Name of Director	Company/ Name of Associated Corporation	Long/Short Position	Capacity	Total Number of Ordinary Shares	Percentage of the Company's Issued Share Capital (Note 1)
Chin Jong Hwa	Company	Long position	Interest of controlled corporation	442,990,000 (Note 2)	40.53%
Shi Jian Hui ("Mr. Shi")	Company	Long position	Beneficial owner	2,700,000 (Note 3)	0.25%
Zhao Feng ("Mr. Zhao")	Company	Long position	Beneficial owner Interest of spouse	1,654,000 100,000 (Note 4)	0.15% 0.01%
Bao Jian Ya ("Ms. Bao")	Company	Long position	Beneficial owner	1,470,000 (Note 5)	0.13%
Yu Zheng ("Ms. Zheng")	Company	Long position	Interest of spouse	200,000 (Note 6)	0.02%
He Dong Han ("Mr. He")	Company	Long position	Beneficial owner	1,000,000 (Note 7)	0.09%

Note 1: The percentage of the Company's issued share capital is based on the 1,093,106,000 Shares issued as at 30 June 2014.

Note 2: As at 30 June 2014, Linkfair is beneficially interested in 442,990,000 Shares. Linkfair is wholly-owned by Mr. Chin and he is therefore deemed to be interested in the entire 442,990,000 Shares held by Linkfair.

Note 3: This figure represents the aggregate number of 400,000 Shares held by Mr. Shi and 2,000,000 Share Options and 300,000 Share Options granted to Mr. Shi under the 2005 Share Option Scheme and the Share Option Scheme respectively that are exercisable. Upon exercise of the Share Options, Mr. Shi will acquire an aggregate of 2,700,000 Shares.

Note 4: These figures represent the aggregate number of (i) 404,000 Shares held by and 1,000,000 Share Options and 250,000 Share Options granted to Mr. Zhao under the 2005 Share Option Scheme and the Share Option Scheme respectively that are exercisable and (ii) 100,000 Shares held by Ms. Zhu. Upon exercise of the Share Options, Mr. Zhao will acquire an aggregate of 1,654,000 Shares. Since Mr. Zhao is the spouse of Ms. Zhu, he is deemed to be interested in the aforesaid Shares in which Ms. Zhu is interested.

Note 5: This figure represents the aggregate number of 120,000 Shares held by Ms. Bao and 1,000,000 Share Options and 350,000 Share Options granted to Ms. Bao under the 2005 Share Option Scheme and the Share Option Scheme respectively that are exercisable. Upon exercise of the Share Options, Ms. Bao will acquire an aggregate of 1,470,000 Shares. Ms. Bao was appointed as an executive Director on 29 May 2014.

Note 6: This figure represents the Shares held by Mr. Wei Wei. Since Ms. Zheng is the spouse of Mr. Wei Wei, she is deemed to be interested in the foresaid Shares in which Mr. Wei Wei is interested.

Note 7: This figure represents the aggregate number of Share Options granted to Mr. He under the 2005 Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. He will acquire 1,000,000 Shares.

Other than as disclosed above, as at 30 June 2014, none of the Directors, chief executive and their associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Purchase, Sale or Redemption of the Listed Securities of the Company

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30 June 2014.

Compliance with the Corporate Governance Code and the Model Code

None of the Directors are aware of any information that would reasonably indicate that the Company did not, at any time during the Review Period, comply with the Corporate Governance Code set out in the Appendix 14 of the Listing Rules.

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

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 29 of this report.

Material Litigation and Arbitration

Save for the petition served by the Securities and Futures Commission (“SFC”) on the Company on 11 April 2014, details of which are set out in the Company’s announcement dated 14 April 2014, the Group is not engaged in any litigation or arbitration of material importance during the Review Period. The SFC does not seek any claim for compensation against the Group and has joined the Company and its subsidiary as parties to the legal proceedings in connection with claims they bring against other parties, including the current Chairman of the Company, Mr. Chin Jong Hwa and two of its other executive Directors, Mr. Shi Jian Hui and Mr. Zhao Feng. The claims relate to an acquisition by the Group in 2008, being the same acquisition approved by shareholders in the general meeting held on 27 July 2009. The Directors are of the opinion that the SFC petition does not have any significant impact on the condensed consolidated financial statements of the Group for the Review Period.

Given the issue of the SFC petition, the Company decided to engage its auditors for an audit of the condensed consolidated financial statements for the six-month period ended 30 June 2014 even though the Company does not have a policy of auditing its interim financial statements. One of the factors considered by the Company was to give shareholders an audit assurance as to its financial condition.

Audit Committee

The Company has an Audit Committee consisting three independent non-executive Directors, namely Mr. Wu Fred Fong (chairman of the Audit Committee), Dr. Wang Ching and Mr. Zhang Li Ren. The Committee reviews the Group’s systems of internal control, the completeness and accuracy of the Group’s financial statements and liaises on behalf of the Directors with the external auditor. The members of the Committee meet regularly with the management and external auditor to review the audit reports as well as the interim and annual financial reports of the Group. The Audit Committee has reviewed the audited condensed consolidated financial statements and this interim report for the six months ended 30 June 2014, and recommended their adoption by the Board.

By Order of the Board
Minh Group Limited
Chin Jong Hwa
Chairman

Hong Kong, 29 August 2014

To the Board of Directors of Minth Group Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the condensed consolidated financial statements of Minth Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 68, which comprise the condensed consolidated statement of financial position as at 30 June 2014, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory information.

Directors' Responsibility for the Condensed Consolidated Financial Statements

The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting". The directors of the Company are responsible for the preparation of condensed consolidated financial statements in accordance with HKAS 34 issued by the Hong Kong Institute of Certified Public Accountants, and for such internal control as the directors determine is necessary to enable the preparation of condensed 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 condensed consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the condensed consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the condensed 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 condensed consolidated financial statements 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 condensed 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 condensed consolidated financial statements are prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

29 August 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 (audited) RMB'000	2013 (unaudited) RMB'000
Revenue		3,150,921	2,472,712
Cost of sales		(2,127,540)	(1,649,854)
Gross profit		1,023,381	822,858
Investment income	4	63,115	42,651
Other income	5	99,536	72,161
Other gains and losses	6	14,994	61,242
Distribution and selling expenses		(109,035)	(71,007)
Administrative expenses		(262,736)	(196,803)
Research expenditures		(140,437)	(116,956)
Interest on bank borrowings wholly repayable within five years		(33,479)	(26,700)
Share of (losses) profits of joint ventures		(1,136)	9,386
Share of profits of associates		21,843	14,756
Profit before tax		676,046	611,588
Income tax expense	7	(88,986)	(88,300)
Profit for the period	8	587,060	523,288
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		20,051	(17,787)
Fair value loss on available-for-sale investments		(6,122)	(57,482)
Income tax relating to items that may be reclassified to profit or loss		918	8,622
Other comprehensive income (expense) for the period (net of tax)		14,847	(66,647)
Total comprehensive income for the period		601,907	456,641

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Note	Six months ended 30 June	
		2014 (audited) RMB'000	2013 (unaudited) RMB'000
Profit for the period attributable to:			
Owners of the Company		562,254	499,031
Non-controlling interests		24,806	24,257
		587,060	523,288
Total comprehensive income for the period attributable to:			
Owners of the Company		574,258	434,010
Non-controlling interests		27,649	22,631
		601,907	456,641
Earnings per share	10		
Basic		RMB0.515	RMB0.462
Diluted		RMB0.511	RMB0.459

Condensed Consolidated Statement of Financial Position

At 30 June 2014

	Notes	At 30 June 2014 (audited) RMB'000	At 31 December 2013 (audited) RMB'000
Non-current assets			
Property, plant and equipment	11	3,063,976	2,545,896
Prepaid lease payments		599,118	508,356
Goodwill		46,407	15,276
Other intangible assets		44,984	40,199
Interests in joint ventures		58,866	79,486
Interests in associates		130,321	117,290
Available-for-sale investments	12	166,325	172,447
Loans receivable	13	11,470	89,615
Deferred tax assets		94,224	78,208
		4,215,691	3,646,773
Current assets			
Prepaid lease payments		14,092	11,809
Inventories		1,009,089	928,173
Property under development	15	114,947	–
Loans receivable	13	1,120	51,882
Trade and other receivables	14	1,980,959	1,939,352
Derivative financial assets	16	7,183	8,702
Pledged bank deposits		975,723	786,746
Bank balances and cash		3,773,745	4,119,191
		7,876,858	7,845,855
Current liabilities			
Trade and other payables	17	1,104,360	1,201,345
Tax liabilities		57,300	106,552
Borrowings – due within one year	18	2,834,300	2,385,330
Derivative financial liabilities	16	25,036	4,434
		4,020,996	3,697,661
Net current assets		3,855,862	4,148,194
Total assets less current liabilities		8,071,553	7,794,967

Condensed Consolidated Statement of Financial Position

At 30 June 2014

	Notes	At 30 June 2014 (audited) RMB'000	At 31 December 2013 (audited) RMB'000
Capital and reserves			
Share capital	19	110,454	110,342
Share premium and reserves		7,561,068	7,346,410
Equity attributable to owners of the Company		7,671,522	7,456,752
Non-controlling interests		304,719	261,694
Total equity		7,976,241	7,718,446
Non-current liabilities			
Deferred tax liabilities		80,160	51,521
Borrowings	18	–	25,000
Retirement benefit obligations		15,152	–
		95,312	76,521
		8,071,553	7,794,967

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	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 2013 (audited)	109,206	3,058,546	276,199	38,212	117,464	13,120	25,973	(62,588)	88,642	3,108,772	6,773,546	208,248	6,981,794
Profit for the period	-	-	-	-	-	-	-	-	-	499,031	499,031	24,257	523,288
Other comprehensive expense for the period	-	-	-	-	-	-	(48,860)	(16,161)	-	-	(65,021)	(1,626)	(66,647)
Total comprehensive income for the period	-	-	-	-	-	-	(48,860)	(16,161)	-	499,031	434,010	22,631	456,641
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	10,558	-	10,558	-	10,558
Transfer to other reserve for share options forfeited after the vesting date	-	-	-	1,656	-	-	-	-	(1,656)	-	-	-	-
Dividends recognised as distribution (note 9)	-	-	-	-	-	-	-	-	-	(332,404)	(332,404)	-	(332,404)
Exercise of share options	565	39,274	-	-	-	-	-	-	(6,577)	-	33,262	-	33,262
At 30 June 2013 (unaudited)	109,771	3,097,820	276,199	39,868	117,464	13,120	(22,887)	(78,749)	90,967	3,275,399	6,918,972	230,879	7,149,851
At 1 January 2014 (audited)	110,342	3,149,817	276,199	40,154	127,136	13,120	10,939	(97,163)	88,194	3,738,034	7,456,752	261,694	7,718,446
Profit for the period	-	-	-	-	-	-	-	-	-	562,254	562,254	24,806	587,060
Other comprehensive (expense) income for the period	-	-	-	-	-	-	(5,204)	17,208	-	-	12,004	2,843	14,847
Total comprehensive income for the period	-	-	-	-	-	-	(5,204)	17,208	-	562,254	574,258	27,649	601,907
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	22,529	-	22,529	-	22,529
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	15,376	15,376
Transfer to reserve fund	-	-	-	-	246	-	-	-	-	(246)	-	-	-
Transfer to other reserve for share options forfeited after the vesting date	-	-	-	439	-	-	-	-	(439)	-	-	-	-
Dividends recognised as distribution (note 9)	-	-	-	-	-	-	-	-	-	(394,019)	(394,019)	-	(394,019)
Exercise of share options	112	15,775	-	-	-	-	-	-	(3,886)	-	12,001	-	12,001
At 30 June 2014 (audited)	110,454	3,165,592	276,199	40,593	127,382	13,120	5,735	(79,975)	106,398	3,906,024	7,671,522	304,719	7,976,241

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

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

The other reserve of the Group consists of: (i) contributions from a shareholder Mr. Chin Jong Hwa (“Mr. Chin”) in connection with the Group’s acquisition of an associate from Mr. Chin pursuant to the group reorganisation, (ii) reserve arising from acquisition of additional interest in a subsidiary, (iii) revaluation reserve recognised upon acquisition of businesses from interests in joint ventures and (iv) reserve transferred from share options reserve for share options forfeited after the vesting date.

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

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	NOTE	Six months ended 30 June	
		2014 (audited) RMB'000	2013 (unaudited) RMB'000
NET CASH FROM OPERATING ACTIVITIES		412,444	188,555
NET CASH USED IN INVESTING ACTIVITIES:			
Proceeds on redemption of other financial assets and derivative financial instruments		4,285,959	2,031,363
Interest received		41,541	42,305
Proceeds from reduction in capital in an associate		8,812	–
Proceeds on disposal of property, plant and equipment		18,607	21,222
Proceeds on disposal of other intangible assets		330	–
Proceeds on disposal of land use right		932	–
Refund of deposit paid for acquisition of land use rights		–	20,000
Release of pledged bank deposits		3,114	2,284
Loan to a third party		(1,665)	–
New pledged bank deposits placed		(192,091)	(536,721)
Purchases of property, plant and equipment		(536,010)	(346,768)
Refundable deposit paid for bidding a land		(25,000)	–
Acquisition of a subsidiary	24	(20,299)	(16,915)
Investment in other financial assets and derivative financial instruments		(4,252,737)	(1,977,990)
Payment for land use right		(100,094)	(31,676)
Purchases of other intangible assets		(1,961)	(5,078)
		(770,562)	(797,974)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	NOTE	Six months ended 30 June	
		2014 (audited) RMB'000	2013 (unaudited) RMB'000
NET CASH FROM FINANCING			
ACTIVITIES:			
Repayment of borrowings		(871,542)	(949,366)
Dividends paid to owners of the Company		(394,019)	(332,404)
Interest paid		(34,042)	(26,700)
New borrowings raised		1,281,348	2,000,062
Proceeds from exercise of share options		12,001	33,262
Capital contributions from a non-controlling shareholder		15,376	–
		9,122	724,854
Net (decrease) increase in cash and cash equivalents		(348,996)	115,435
Cash and cash equivalents at 1 January		4,119,191	4,130,051
Effect of foreign exchange rate changes		3,550	3,391
Cash and cash equivalents at 30 June, represented by			
Bank balances and cash		3,773,745	4,248,877

For the six months ended 30 June 2014

1. Basis of Preparation

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

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

2. Principal Accounting Policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following accounting policies:

Retirement benefit costs

The Group provides defined benefit plan to qualified employees in the United States of America. The retirement benefit obligations at the end of each reporting period is calculated by independent actuaries using the projected unit credit method. The retirement benefit obligation recognised in the condensed consolidated statement of financial position represents the actual deficit or surplus in the Group’s defined benefit plans.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

Property under development

Properties under development, representing leasehold land and buildings located in the PRC under development for future sale, are stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights, construction costs, borrowing costs capitalised and other direct development expenditure. Net realisable value represents the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale. Properties under development are transferred to completed properties for sale upon completion of development.

The Group has also applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

- HKAS 19 Employee Benefits (as revised in 2011);
- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities;
- Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities;
- Amendments to HKAS 36 Recoverable Amount Disclosure for Non-Financial Assets;
- Amendments to HKFRS 39 Novation of Derivatives and Continuation of Hedge Accounting; and
- HK (IFRIC) – INT 21 Levies.

The application of these new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

For the six months ended 30 June 2014

3. Segment Information

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

For the six months ended 30 June 2014 (audited)

	PRC RMB'000	Asia Pacific RMB'000	North America RMB'000	Europe RMB'000	Consolidated RMB'000
SEGMENT REVENUE					
External sales	2,018,663	213,265	618,266	300,727	3,150,921
Segment profit	598,788	62,683	240,612	122,027	1,024,110
Investment income					63,115
Other unallocated income and gains and losses					113,801
Unallocated expenses					(512,208)
Interest on bank borrowings wholly repayable within five years					(33,479)
Share of losses of joint ventures					(1,136)
Share of profits of associates					21,843
Profit before tax					676,046
Income tax expense					(88,986)
Profit for the period					587,060

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

For the six months ended 30 June 2013 (unaudited)

	PRC RMB'000	Asia Pacific RMB'000	North America RMB'000	Europe RMB'000	Consolidated RMB'000
SEGMENT REVENUE					
External sales	1,660,159	196,390	436,928	179,235	2,472,712
Segment profit	532,334	57,304	161,487	75,184	826,309
Investment income					42,651
Other unallocated income and gains and losses					129,952
Unallocated expenses					(384,766)
Interest on bank borrowings wholly repayable within five years					(26,700)
Share of profits of joint ventures					9,386
Share of profits of associates					14,756
Profit before tax					611,588
Income tax expense					(88,300)
Profit for the period					523,288

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

For the six months ended 30 June 2014

4. Investment Income

	Six months ended 30 June	
	2014 (audited) RMB'000	2013 (unaudited) RMB'000
Interest on bank deposits	53,345	42,292
Interest on loan receivables	1,777	359
Dividends from listed equity securities	7,993	–
Total investment income	63,115	42,651

5. Other Income

	Six months ended 30 June	
	2014 (audited) RMB'000	2013 (unaudited) RMB'000
Government grants (note)	63,225	40,974
Service and consultation income	13,054	11,386
Sales of scrap and raw materials	13,538	10,281
Property rental income	3,910	3,325
Others	5,809	6,195
Total	99,536	72,161

Note: The amounts represent the incentive subsidies granted by the PRC local government authorities to the group entities for incentive of the group entities with good performance in technology development or involving in hi-tech know-how industry. The government grants have been approved by and received from the PRC local government authorities at the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

6. Other Gains and Losses

	Six months ended 30 June	
	2014 (audited) RMB'000	2013 (unaudited) RMB'000
Net foreign exchange (loss) gain	(7,784)	16,489
(Loss) gain on change in fair value of derivative financial assets	(17,932)	19,985
Gain on fair value changes of financial assets designated as fair value through profit or loss	29,799	25,277
Impairment loss reversed for bad and doubtful debts	729	3,451
Gain on deemed disposal of equity interest in a former joint venture (note 24)	8,826	–
Gain (loss) on disposal of property, plant and equipment	4,913	(757)
Impairment loss on property, plant and equipment	(3,557)	–
Others	–	(3,203)
Total	14,994	61,242

For the six months ended 30 June 2014

7. Income Tax Expense

	Six months ended 30 June	
	2014 (audited) RMB'000	2013 (unaudited) RMB'000
Current tax:		
Hong Kong	–	–
PRC Enterprise Income Tax	88,747	90,872
	88,747	90,872
Over provision in prior years:		
PRC Enterprise Income Tax	(22,605)	(12,117)
Deferred tax:		
Current period charge	22,844	9,545
	88,986	88,300

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

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) Those entities which are located in specific provinces of western China and engaged in specific encouraged industries enjoy a preferential tax rate of 15% under EIT Law.
- (2) Those entities which are qualified as “Hi-New Tech Enterprises” would enjoy a preferential tax rate of 15% under EIT Law and subject to every 3-year renewal.

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.

For the six months ended 30 June 2014

8. Profit for the Period

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

	Six months ended 30 June	
	2014 (audited) RMB'000	2013 (unaudited) RMB'000
Depreciation of property, plant and equipment	115,306	88,374
Amortisation of other intangible assets (included in cost of sales, administrative expenses and research expenditures)	5,454	4,896
Total depreciation and amortisation	120,760	93,270
Cost of inventories recognised	2,127,540	1,649,854
Write-off and write-down of inventories	2,890	6,828

9. Dividends

	Six months ended 30 June	
	2014 (audited) RMB'000	2013 (unaudited) RMB'000
Dividends recognised as distribution during the period: 2013 Final – HK\$0.453 (2012: final dividend HK\$0.385) per share	394,019	332,404

On 17 June 2014, a dividend of HK\$0.453 per share (2013: HK\$0.385 per share) was paid to shareholders as the final dividend for 2013.

The directors of the Company have determined that no dividend will be paid in respect of the interim period (2013 (unaudited): nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

10. Earnings Per Share

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

	Six months ended 30 June	
	2014 (audited) RMB'000	2013 (unaudited) RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	562,254	499,031
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,092,466	1,080,086
Effect of dilutive share options	7,990	6,497
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,100,456	1,086,583

Certain outstanding share options of the Company had not been included in the computation of diluted earnings per share as they did not have a dilutive effect to the Company's earnings per share during the six months ended 30 June 2014 (audited) and 2013 (unaudited) because the exercise prices of these Company's share options were higher than the average market prices of the Company's shares during the six months ended 30 June 2014 (audited) and 2013 (unaudited).

For the six months ended 30 June 2014

11. Movements in Property, Plant and Equipment

During the current interim period, the Group spent approximately RMB522,692,000 (audited) (RMB332,558,000 for the six months ended 30 June 2013 (unaudited)) on the construction of the manufacturing plant and acquisitions of plant and machinery in the PRC, Thailand, Germany and Mexico, in order to upgrade its manufacturing capabilities. Property, plant and equipment amounting to RMB13,694,000 (audited) (RMB11,853,000 for the six months ended 30 June 2013 (unaudited)) was disposed and property, plant and equipment amounting to RMB3,557,000 (audited) (RMB nil for the six months ended 30 June 2013 (unaudited)) have been impaired during the period.

In addition, there was addition of property, plant and equipment of RMB112,354,000 (audited) arising from the acquisition of additional equity interest in a former joint venture which became a wholly-owned subsidiary during the current interim period as detailed in note 24.

12. Available-for-sale Investments

Available-for-sale investments comprise:

	At 30 June 2014 (audited) RMB'000	At 31 December 2013 (audited) RMB'000
Listed investments:		
– Equity securities listed in the PRC	166,325	172,447

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

13. Loans Receivable

	Maturity date	Effective interest rate	Carrying amount	
			At 30 June 2014 (audited) RMB'000	At 31 December 2013 (audited) RMB'000
Variable-rate loan receivable from a former joint venture	31 August 2014 (note a)	the United States Prime Rate-0.5%	–	26,603
Variable-rate loan receivable from a former joint venture	26 September 2014 (note a)	the United States Prime Rate-0.5%	–	103,969
Fixed-rate loans receivable from a supplier	26 December 2014 to 26 December 2020 (note b)	6.15% to 6.60%	12,590	10,925
			12,590	141,497
Analysed for reporting purposes as				
Current assets			1,120	51,882
Non-current assets			11,470	89,615
			12,590	141,497

Notes:

- a. The amounts were eliminated upon the completion of the acquisition of additional interest in the former joint venture, which became a wholly-owned subsidiary of the Group during the current interim period as disclosed in note 24.
- b. The amounts represented a number of entrusted loans granted to a supplier through a bank at fixed rates ranging from 6.15% to 6.60% per annum with various maturities.

For the six months ended 30 June 2014

14. Trade and Other Receivables

	At 30 June 2014 (audited) RMB'000	At 31 December 2013 (audited) RMB'000
Trade receivables		
– associates	3,776	14,654
– joint ventures	4,209	54,638
– non-controlling interests of subsidiaries	8,968	18,802
– third parties	1,550,019	1,406,351
Less: allowance for doubtful debts	(9,222)	(10,557)
	1,557,750	1,483,888
Bill receivables	38,530	118,655
	1,596,280	1,602,543
Other receivables	81,550	51,742
Less: allowance for doubtful debts	(1,547)	(1,547)
	1,676,283	1,652,738
Prepayments	210,059	223,560
Value-added tax recoverable	56,624	58,054
Refundable guarantee deposit for acquisition of land use rights	30,000	5,000
Dividend receivables from listed equity securities	7,993	–
Total trade and other receivables	1,980,959	1,939,352

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

The Group normally grants a credit period of 60 days to 90 days to customers effective from the date when the goods are delivered and accepted by customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on invoice date at the end of the reporting period, which approximate the respective revenue recognition date:

	At 30 June 2014 (audited) RMB'000	At 31 December 2013 (audited) RMB'000
Age		
0–90 days	1,484,519	1,420,096
91–180 days	59,979	40,634
181–365 days	9,010	14,401
Over 1 year	4,242	8,757
	1,557,750	1,483,888

Bill receivables held by the Group as at 30 June 2014 will mature within 6 months (31 December 2013: within 6 months).

15. Property Under Development

Property under development is a land located in Jiaying City, Zhejiang Province, the PRC and held under medium-term lease. The land is held for construction of residential properties which would be sold upon completion.

For the six months ended 30 June 2014

16. Derivative Financial Assets/Derivative Financial Liabilities

	At 30 June 2014 (audited) RMB'000	At 31 December 2013 (audited) RMB'000
Derivative financial assets		
Foreign exchange forward contracts (note a)	6,395	8,602
Swap derivative contracts (note b)	788	100
	7,183	8,702
Derivative financial liabilities		
Foreign exchange forward contracts (note a)	3,229	–
Swap derivative contracts (note b)	21,720	3,717
Interest rate swaps (note c)	87	717
	25,036	4,434

Notes:

a. Foreign exchange forward contracts

At 30 June 2014, the Group had a number of outstanding foreign exchange forward contracts. Derivative financial assets of RMB6,395,000 (31 December 2013: RMB8,602,000) and derivative financial liabilities of RMB3,229,000 (31 December 2013: nil) have been recognised in accordance with the fair value of the above foreign exchange forward contracts, respectively.

b. Swap derivative contracts

At 30 June 2014, the Group had a number of outstanding swap derivative contracts. Derivative financial assets of RMB788,000 (31 December 2013: derivative financial assets of RMB100,000) and derivative financial liabilities of RMB21,720,000 (31 December 2013: RMB3,717,000) have been recognised.

c. Interest rate swaps

At 30 June 2014, the Group had a number of outstanding interest rate swaps. Derivative financial liabilities of RMB87,000 (31 December 2013: RMB717,000) have been recognised in accordance with the fair value of the above interest rate swaps.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

17. Trade and Other Payables

	At 30 June 2014 (audited) RMB'000	At 31 December 2013 (audited) RMB'000
Trade payables		
– associates	901	9,281
– joint venture	16,518	32,716
– non-controlling interests of subsidiaries	9,997	12,967
– third parties	663,505	693,719
	690,921	748,683
Payroll and welfare payables	129,561	155,311
Advance from customers	25,477	17,916
Consideration payable for acquisition of property, plant and equipment	58,089	71,407
Technology support service fees payable	14,078	14,364
Freight and utilities payable	51,135	56,954
Interest payable	6,948	7,435
Rental payable	3,580	2,553
Deposits received	22,563	17,571
Consideration payables of acquisition of a subsidiary	–	4,372
Dividend payable to non-controlling owners of a subsidiary	900	900
Others	101,108	103,879
	1,104,360	1,201,345

For the six months ended 30 June 2014

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

	At 30 June 2014 (audited) RMB'000	At 31 December 2013 (audited) RMB'000
Age		
0–90 days	651,572	724,424
91–180 days	18,329	15,959
181–365 days	13,059	1,835
1–2 years	7,198	5,620
Over 2 years	763	845
	690,921	748,683

18. Borrowings

During the current interim period, the Group obtained new borrowings amounting to RMB1,278,909,000 (audited) (RMB2,000,062,000 for the six months ended 30 June 2013 (unaudited)). The loans bear interest at fixed rate and variable market rates and are repayable within one year. Repayments of bank loans amounting to RMB868,672,000 (audited) (RMB949,366,000 for the six months ended 30 June 2013 (unaudited)) were made during the current interim period in line with the relevant repayment terms. The proceeds were used to provide additional working capital for the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

19. Share Capital

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2013, 30 June 2013, 31 December 2013 and 30 June 2014	5,000,000	500,000

	Number of shares '000	Share capital RMB'000
Issued and fully paid:		
As at 1 January 2013 (audited)	1,077,473	109,206
Exercise of share options (unaudited)	7,033	565
At 30 June 2013 (unaudited)	1,084,506	109,771
As at 1 January 2014 (audited)	1,091,689	110,342
Exercise of share options (audited)	1,417	112
At 30 June 2014 (audited)	1,093,106	110,454

For the six months ended 30 June 2014

20. Share-Based Payment Transactions

(Audited unless specified otherwise)

The Company adopted a share option scheme (the “Scheme”) pursuant to a resolution passed on 13 November 2005 for the primary purpose of providing incentives to directors and eligible employees, the term of the Scheme was 10 years. The Scheme has been terminated and replaced by a new share option scheme, which was approved in the annual general meeting held on 22 May 2012 and will be valid for 10 years from the date of its adoption (the “New Scheme”).

For the six months ended 30 June 2014, certain share options were granted under the New Scheme to directors (“2014A”) and eligible employees (“2014B”) of the Company on 16 January 2014. The fair values of the options determined at the date of grant using the Binomial model was HK\$62,204,000 (equivalent to RMB48,986,000). The vesting period of the share options are as follows: for those grantees’ period of services within the Company is or more than one year as of 1 June 2014, 30% vesting immediately, 30% vesting on 1 June 2015 and 40% vesting on 1 June 2016; for those grantees’ period of services within the Company is less than one year as of 1 June 2014, 30% vesting on 1 June 2015, 30% vesting on 1 June 2016 and 40% vesting on 1 June 2017.

The closing price of the Company’s shares immediately before 16 January 2014, the date of grant, was HK\$15.84.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

The table below discloses movement of the Company's share options held by the Group's employees:

	Number of share options
Outstanding as at 1 January 2013 (audited)	48,942,000
Exercised during the period (unaudited)	(7,033,000)
Forfeited during the period (unaudited)	(1,448,000)
Outstanding as at 30 June 2013 (unaudited)	40,461,000
Outstanding as at 1 January 2014 (audited)	33,098,000
Granted during the period (audited)	13,580,000
Exercised during the period (audited)	(1,417,000)
Forfeited during the period (audited)	(1,038,000)
Outstanding as at 30 June 2014 (audited)	44,223,000

During the six months ended 30 June 2014, the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$14.39.

The following assumptions were used to calculate the fair value of share options granted during the six months ended 30 June 2014:

	Option type	
	2014A	2014B
Grant date share price	HK\$15.84	HK\$15.84
Exercise price	HK\$15.84	HK\$15.84
Expected volatility	46%	46%
Expected life	5 years	5 years
Risk-free rate	1.50%	1.50%
Expected dividend yield	3%	3%
Early exercise multiple	1.5	1.4

For the six months ended 30 June 2014

The Binomial model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options were based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The Group recognised the total expenses of RMB22,529,000 (audited) for the six months ended 30 June 2014 (RMB10,558,000 for the six months ended 30 June 2013 (unaudited)) in relation to share options granted by the Company.

21. Commitments

As at the end of current interim period, the Group's capital expenditure commitment is shown below:

	At 30 June 2014 (audited) RMB'000	At 31 December 2013 (audited) RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	318,839	307,088
Acquisition of land use rights	-	3,162

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

22. Related Party Transactions and Connected Transactions

Save as disclosed elsewhere, the Group has the following significant transactions with related/connected parties during the period:

Relationship with related/connected party	Nature of transactions	Six months ended 30 June	
		2014 (audited) RMB'000	2013 (unaudited) RMB'000
Joint venture, in which the Group has a 49% equity interest	Sales of finished goods	7,814	8,724
	Purchase of finished goods	75,062	78,079
	Purchases of raw materials	19,034	14,666
	Property rentals income	1,596	1,155
	Utilities income	5,659	4,883
	Technology support services charges	1,794	324
A former joint venture, in which the Group has a 49.82% equity interest (note)	Sales of finished goods	135,874	99,329
	Sales of moulds	48,129	-
	Purchase of finished goods	397	5,025
	Interest income	1,777	359
	Consulting service income	10,122	9,749
Associates, in which the Group has a 48%, 49% and 35% equity interests	Property rentals expense	3,220	-
	Sales of finished goods	18,096	32,331
	Sales of raw materials	5,403	5,200
	Sales of moulds	1,040	-
	Purchase of raw materials	654	14,390
	Purchase of finished goods	2,998	11,630
	Purchase of moulds & fixed assets	306	4,173
	Utilities income	-	1,107
Consulting services income	-	846	
Associate, in which the Group has a 30% equity interest	Property rentals income	1,891	-
Non-controlling interests of subsidiaries (*)	Sales of finished goods	34,308	53,547
	Purchase of raw materials	27,176	30,503
	Technology support services charges	8,007	7,033
	Purchase of moulds	364	846

Note: the amounts only include the transactions before the Group acquiring the additional equity interests in the former joint venture and became a wholly-owned subsidiary as disclosed in note 24.

For the six months ended 30 June 2014

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

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

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

	Six months ended 30 June	
	2014	2013
	(audited)	(unaudited)
	RMB'000	RMB'000
Short-term benefits	7,687	6,985
Post-employment benefits	14	13
Share-based payments	5,037	2,778
	12,738	9,776

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

23. Fair Value Measurements of Financial Instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are 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); and
- 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).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Basis of fair value measurement/ valuation technique(s) and key input(s)
	30/6/14 (audited)	31/12/13 (audited)		
1) Available-for-sale investments	Listed equity securities in A shares listed on the Shanghai stock exchange: – Automobile manufacturing industry – Assets – RMB166,325,000	Listed equity securities in A shares listed on the Shanghai stock exchange: – Automobile manufacturing industry – Assets – RMB172,447,000	Level 1	Quoted bid prices in an active market.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Basis of fair value measurement/ valuation technique(s) and key input(s)
	30/6/14 (audited)	31/12/13 (audited)		
2) Foreign currency forward contracts classified as derivative financial assets	Assets – RMB6,395,000; and Liabilities – RMB3,229,000	Assets – RMB8,602,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Swap derivative contracts classified as derivative financial assets and liabilities	Assets – RMB788,000; and Liabilities – RMB21,720,000	Assets – RMB100,000; and Liabilities – RMB3,717,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward exchange rates under pre-determined condition of actual exchange rate on each maturity date, discounted at a rate that reflects the credit risk of various counterparties.
4) Interest rate swaps classified as derivative financial liabilities	Liabilities – RMB87,000	Liabilities RMB717,000	Level 2	Discounted cash flow. Future cash flows are estimated based on applicable yield curves derived from quoted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

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

24. Acquisition of A Subsidiary

(Audited)

On 28 March 2014 and 27 June 2014, the Group entered into two sale and purchase agreements with Sojitz Corporation and Huge Leader Investment Limited, respectively, being the joint venture shareholders of Plastic Trim International Inc. ("PTI"), a joint venture of the Group. Pursuant to the sales and purchase agreements, the Group agreed to purchase and the joint venture shareholders agreed to sell their entire equity interests in PTI (representing 45.99% and 4.19% equity interest, respectively) at total considerations of US\$9,290,000 (equivalent to RMB57,160,000), representing cash payments of US\$5,000,000 and US\$450,000, respectively (equivalent to RMB30,764,000 and RMB2,768,000, respectively) and settlement of a shareholder's loan of PTI due to Sojitz Corporation amounting to US\$3,840,000 (equivalent to RMB23,628,000) (together referred to as the "Acquisitions"). The Acquisitions have been completed on 15 June and 30 June 2014, respectively. Upon completion, PTI became a wholly-owned subsidiary of the Group. PTI is principally engaged in the plastic injection molding and extrusion business.

This transaction had been accounted for as business combination using the acquisition accounting.

Consideration transferred

	RMB'000
Cash paid	33,532
Settlement of shareholders' loan	23,628
	57,160

For the six months ended 30 June 2014

Assets and liabilities recognised at the date of acquisition (determined on a provisional basis)

	RMB'000
Non-current assets	
Property, plant and equipment	112,354
Intangible asset – trademark	8,645
Deferred tax assets	25,589
Current assets	
Inventories	79,482
Trade and other receivables (note)	162,292
Bank balances and cash	13,233
Current liability	
Trade and other payables	(180,423)
Borrowings – due within one year	(25,832)
Non-current liabilities	
Retirement benefit obligation	(15,152)
Borrowings	(104,596)
Deferred tax liabilities	(16,237)
	59,355

Note: The receivables acquired (which principally comprised trade receivables) with a fair value of RMB162,292,000 at the date of acquisition had gross contractual amounts of RMB163,195,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB903,000.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

Goodwill arising on acquisition (determined on a provisional basis)

	RMB'000
Consideration transferred	57,160
Add: fair value of previously held equity interest	33,326
Less: recognised amount of identifiable net assets acquired	(59,355)
Goodwill arising on acquisition	31,131

Goodwill arose on the acquisition of PTI is mainly attributable to the synergies expected to be achieved from integrating PTI into the Group's existing business operations.

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	(33,532)
Less: cash and cash equivalent balances acquired	13,233
	(20,299)

Impact of acquisition on the results of the Group

The profit and revenue attributable to PTI included in the condensed consolidated financial statements for the current interim period were minimal as the acquisition was completed closed to 30 June 2014.

For the six months ended 30 June 2014

Had the acquisition of PTI been effected at the beginning of the current interim period, the total amount of revenue of the Group for the six months ended 30 June 2014 would have been RMB3,620,395,000, and the amount of the profit for the current interim period would have been RMB568,747,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

In determining the ‘pro-forma’ revenue and profit of the Group had PTI been acquired at the beginning of the interim period, the directors calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

25. Significant Event

On 11 April 2014, the SFC served a petition to the Company and also named as respondents the Company, its wholly owned subsidiary, Decade (HK) Limited (“Decade”) and several executive directors of the Company, in respect of the Group’s acquisition of Talentlink Development Limited and Magic Figure Investments Limited (“Talentlink HK” and “Magic Figure”) from the nephew and niece of Mr. Chin, the chairman, executive director and controlling shareholder of the Company in 2008 (“the Acquisition”). The executive directors named in the petition are Mr Chin, Mr Shi Jian Hui and Mr Zhao Feng.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

In summary, the SFC petition alleges that, in connection with the Acquisition approved by shareholders of the Company in 2009, there has been incorrect or misleading disclosure or a failure to disclose information relating to the Acquisition and as a result, there has been misfeasance or other misconduct towards the Company and some or all of its shareholders and that, further, some or all of its shareholders have not been given information that they might reasonably expect or that there has been unfair prejudice to some or all of its shareholders. The SFC petition also alleges that Mr. Chin was the true beneficial owner of Magic Figure and Talentlink HK and that the Acquisition was not genuine and is void or voidable. For more details, please refer to the SFC petition dated 10 April 2014 (available to the public at the High Court of Hong Kong) and the Company's announcement on 14 April 2014 regarding the legal proceedings.

The SFC does not seek any claim for compensation against the Group and has joined the Company and Decade as parties to the legal proceedings in connection with claims the SFC makes against the relevant executive directors of the Company so that in the event the SFC succeeds in its claims against the relevant executive directors, the SFC can seek consequential orders from the court for the benefit of the Company.

The directors of the Company are of the opinion that Magic Figure and Talentlink HK have been subsidiaries of the Company since completion of the Acquisition and that the SFC petition does not have any significant impact on the condensed consolidated financial statements of the Group for the interim period ended 30 June 2014.

The initial directions hearing in connection with the SFC petition took place on 9 July 2014. Directions were given as to the timetable for the directors involved and the SFC to file court documents. The next hearing has been fixed to take place on 31 October 2014, however that hearing will also be for directions, and the Company does not know when the court will deal with the substantive claims in this matter.