MINTH

MINTH GROUP LIMITED
敏實集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 425

Annual Report 2009

Mission & Vision

We create beauty in motion

Strategic Objective

Endeavoring to become
a global auto parts industry leader

Values

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

流動的美，我們創造

WE CREATE BEAUTY IN MOTION

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Corporate Information

The Board of Directors

Executive directors

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

Non-executive directors

Mikio Natsume
Zheng Yu

Independent non-executive directors

Wang Ching
Zhang Liren
Wu Fred Fong

Company Secretary

Loke Yu

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Cayman Islands

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Website: www.minthgroup.com

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138 Gloucester Road
Hong Kong

Principal Bankers

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68th Floor, Cheung Kong Center
2 Queen's Road, Central
Hong Kong

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

China Construction Bank
Jiaxing branch
198 Ziyang Street
Jiaxing
China

Principal Share Registrar and Transfer Office

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

Corporate Information

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
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Hong Kong

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
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Hong Kong

Legal Advisers to the Company

As to Hong Kong Law
Richards Butler
in association with Reed Smith LLP
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Hong Kong

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

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

Stock Code

SEHK Code: 0425

Summary of Financial Information

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

	For the year ended 31 December				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009** **RMB'000**
Result					
Turnover	678,606	956,232	1,408,747	1,966,464	**2,544,680**
Profit before tax	210,287	289,589	394,011	474,922	**721,419**
Income tax expense	(12,179)	(14,483)	(28,196)	(36,323)	**(62,724)**
Profit for the year	198,108	275,106	365,815	438,599	**658,695**
Attributable to:					
Owners of the Company	195,067	268,701	359,865	424,110	**621,442**
Minority interests	3,041	6,405	5,950	14,489	**37,253**
	198,108	275,106	365,815	438,599	**658,695**

	As at 31 December				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009** **RMB'000**
Assets and Liabilities					
Total assets	1,407,136	1,490,854	3,412,728	3,707,120	**4,829,811**
Total liabilities	(434,342)	(273,691)	(416,093)	(359,919)	**(882,628)**
	972,794	1,217,163	2,996,635	3,347,201	**3,947,183**
Equity attributable to owners of the Company	947,625	1,182,683	2,957,569	3,272,561	**3,835,852**
Minority interests	25,169	34,480	39,066	74,640	**111,331**
	972,794	1,217,163	2,996,635	3,347,201	**3,947,183**

Note: The Company was incorporated in the Cayman Islands on 22 June 2005 and became the holding company of the Group on 30 June 2005. The assets and liabilities for 2005 have been prepared on a combined basis as if the current group structure had been in existence throughout those years and have been extracted from the Company's prospectus dated 22 November 2005.

Chairman's Statement

I hereby present to all our shareholders (the "Shareholders") the annual report of Minth Group Limited (hereinafter referred to as the "Company") and together with its subsidiaries (collectively referred to as the "Group") for the financial year ended 31 December 2009. During the year 2009, the Company, with great confidence and a flexible and "down-to-earth" approach, grasped the opportunities in the recovery of the industry and achieved encouraging results after the financial crisis in 2008. Both the turnover and the profit of the Company during the year 2009 were fairly notable, which was attributable to the great efforts made by the management and all the employees, and also to the consistent support and trust from the Shareholders and our business partners.

Financial Performance

The results of the Group represented a continuous growth during the year 2009. Turnover for the year 2009 amounted to approximately RMB2,544,680,000, representing a growth of approximately 29.4% from approximately RMB1,966,464,000 in 2008.

The gross profit for the year 2009 amounted to approximately RMB969,902,000, representing an increase of approximately 36.0% as compared to approximately RMB713,353,000 in 2008. The gross margin in 2009 was approximately 38.1%, an increase of approximately 1.8% compared to approximately 36.3% in 2008.

During the year 2009, the net profit attributable to the Shareholders amounted to approximately RMB621,442,000, representing a growth of approximately 46.5% from approximately RMB424,110,000 in 2008

Review on Operations

Market and Results

During the year 2009, the passenger vehicle market in China had experienced a rapid recovery from the downturn in the previous year while the overseas markets also recovered to some extent. The Group, rewarded by its efforts to promote management efficiency, team building and strengthening, and elevating its overall quality and core competence in 2008, was able to tackle the market recovery by prompt response to the external conditions and achieved encouraging results. The Group achieved an increase of approximately 46.5% in net profit attributable to Shareholders when compared to 2008, which out-performed the operation targets previously set by the management and the profit forecast of the Group.

Business and Layout

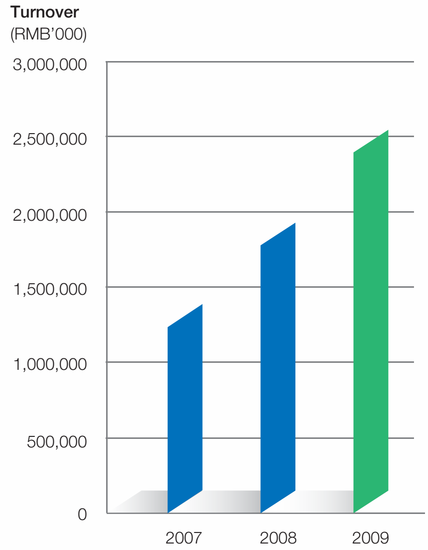
During the year 2009, the Group took the initiative in business operations and layout taking into account both existing and future development opportunities.

The rapid rebound in the Chinese domestic passenger vehicle market and the reshuffle and recovery of overseas markets during the year 2009 provided a sound environment for the continuous growth of the Group. While maintaining its core customers, the Group also developed new customers proactively. Also by increasing the sales to the Korean and American original equipment manufacturers ("OEMs"), the Group was able to achieve the goal of diversifying the customer structure portfolio; by exploring new product series, the goal of diversifying the product structure portfolio was achieved as well; by promoting the research and development ("R&D"), business development capability and profitability of the entities it has invested in territories outside China, the Group realized globalization preliminarily. By and through all the efforts above, the Group consolidated and increased its market share in domestic market, achieved a moderate growth in overseas markets and obtained strategic achievements such as MINTH AAPICO (Thailand) Co., Ltd (MINTH AAPICO, the Group's subsidiary in Thailand) going into stable operation and generating profit of Plastic Trim International, Inc. (PTI, the Group's joint venture in North America).

However, the Group's vision was not limited merely to the achieving of short term profit but also to the focus on the reservation for the future development. The Group expanded significantly in its R&D. Two overseas design bases one in each of North America and Japan were established respectively for the purposes of improving the Group's competence in designing for global customers and building the internationalized R&D teams through which the Group would be able to benefit from a higher value derived from the comparatively low R&D costs using domestic resources and talents. In business exploration, based on the long-term partnership with the main OEMs in the domestic market and along with the Group's comprehensive layout in overseas markets, the global strategic cooperation between the Group and these OEMs has further strengthened. During the year 2009, the Group established Minth Mexico, S.A. DE C.V., a wholly-owned subsidiary incorporated in Mexico and a wholly-owned subsidiary in Germany for sales management to further develop the business in Europe is under preparation. In enhancing management efficiency, the Group implemented the regional managing system that has given initial effectiveness to build an integrated platform for resource allocation. Meanwhile, a more scientific information managing system was also introduced. All these efforts will avail the Group of the stable growth in the medium-and-long-term.

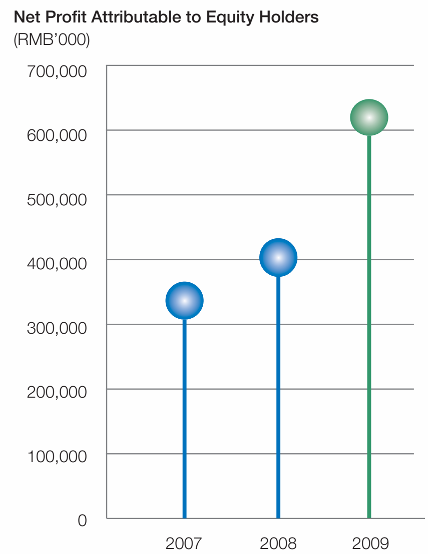
Investor Relations and Communication

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



Future Prospect

I believe that, the gradual recovery of the global passenger vehicle industry and strong rebound in the Chinese domestic market after the down turn caused by the financial crisis have supported a view that upward momentum will be maintained in a fairly long term in future. By virtue of its deep root and development in the automotive part industry over the years, its experience drawn from both challenges and opportunities, its emphasis on market exploration, R&D investment and management upgrading, and its consistent pragmatic, stable, and creative working approach as well, the Group is expected to go from strength to strength and take a quantum leap based on the existing results.



Acknowledgment

On behalf of the board (the "Board") of directors ("Directors") of the Company, I would like to thank all our managers and staff for their diligent services. We also want to thank all the Shareholders who have extended their trust and support to us. We believe that with the co-operation and support of all of you, we will create and deliver greater value for our investors in the future.

CHIN JONG HWA
Chairman

23 March 2010

Management Discussion and Analysis

Industry Overview

After experiencing the challenges of the financial crisis in 2008, the ever record-breaking Chinese passenger vehicle market had maintained its encouraging business atmosphere throughout 2009. As one of the earliest recovered industries in China during the year under review, the annual production and sales volume of traditional passenger vehicles were 8,379,789 units and 8,380,870 units respectively, representing an increase of approximately 47.61% and approximately 47.24% as compared with that in 2008. As announced by the China Association of Automobile Manufacturers, the sales value of the China automobile parts industry during the year under review was approximately RMB122.93 billion, representing an increase of approximately 22.58% as compared with 2008. At the same time, apart from the Chinese market, the global passenger vehicle market recovered gradually after going through various reforms through re-structuring and re-organization.

Company Overview

During the year under review, the Group still maintained its foothold in countries and regions including China, North America and Thailand, engaging in the design, manufacturing and sale of trims, decorative parts, body structural parts and other relevant automobile parts, and exported these products to global markets including those in Europe and the Asia Pacific region.

During the year under review, the Group seized the opportunities brought by the exponential surge of the Chinese domestic market. While maintaining its core customers, it also developed new customers proactively and strengthened its domestic market position. With the recovery of overseas markets, the Group had also achieved moderate growth in exports. Internally, during the year under review, the strategic procurement system initially set up in 2008 and the organizational restructuring (after several months of operation since the first half year of 2009) had become more and more stable. More scientific and efficient internal control system and the information management system have been adopted progressively by the Group. Hence, the Group was able to sustain encouraging results in out-performing its industry counterparts during the period under review.

Business And Operation Layout

During the year under review, the Group responded to the rapid rebound of the domestic market and gradual recovery of overseas markets from turmoil. Domestically, it continued to strengthen co-operation with its major customers. Taking advantage of the regional division management by setting up regional centres and regional headquarters in the six regions in Eastern China, Southern China, Central and Western China and Northern China, the Group was able to allocate resources on an integrated platform and therefore carry out the JIT ("Just In Time") production strategy, which has in turn resulted in the Group securing an even larger domestic market share. Also, by increasing the sales to the Korean and American OEMs, the Group was able to achieve the goal of diversifying its customer structure portfolio. With these efforts, the Group has obtained many new orders during the year under review which would contribute substantially to the turnover in future years. On the other hand, the Group had reviewed the relationships with its partners and acquired the remaining 50% equity interests in Constant Gain International Limited ("Constant Gain"), a previously jointly controlled entity of the Group, from the other equity holder when the other equity holder was in liquidation.

For overseas business, with dual efforts in enhancing customer control and risk management together with premier potential market development, the Group is now preparing to set up a wholly-owned subsidiary in Germany for sales management to further develop its business in Europe. Furthermore, during the year under review, in addition to the changes of business and customers which arose from the reshuffling and reorganization of the previous automobile giants, the emerging markets, including South- east Asia, Central and South America, have become important arenas and powerhouses for global growth. During the year under review, the Group established Minth Mexico, S.A. DE C.V., a wholly-owned subsidiary incorporated in Mexico, to establish a presence in the Central and South American region. At the same time, the Group made strategic achievements such as MINTH AAPICO commencing stable operation and PTI generating profit. The above had laid a foundation to further consolidate the Group's development in the international market in future.

Based on the long-term co-operation with its customers in the domestic market and along with the Group's comprehensive layout in overseas markets, the global strategic partnership between the Group and international automobile manufacturers has further strengthened.

Moreover, the Group has also been actively considering and pursuing all sorts of investment and co-operative opportunities in both domestic and overseas markets.

Research and Development

During the year under review, in order to reserve energy for the global development in future, the Group contributed tremendously in R&D. With the construction of two overseas design bases in North America and Japan which were completed one after another, the Group's R&D teams is expected to become more and more internationalized and diversified. With the convergence of advanced technology from such overseas design bases and low R&D costs derived from the domestic resources and talents, the Group is expected to become more competitive in the future. During the year under review, the Group secured various new projects with the help of R&D investment, and qualified for concurrent design systems of the global renowned automobile manufacturers such as Nissan and Toyota.

During the year under review, the Group made a breakthrough in its own R&D for components and parts relating to automobile body weight reduction and electronics. The Group will invest more in R&D in compliance with the Government's encouraging policies and in areas in line with industry development trend in future years to support the Group's growth in long-term results. During the year under review, the Group filed 33 patent applications for approval, and altogether 45 new patents of the Group have been approved during the year under review.

Financial Review

Results

During the year under review, based on the rapid growth of domestic market driven by the revitalization of the national auto industry policy and moderate recovery in exports, the Group achieved favorable performance in terms of both turnover and profit attributable to the shareholders of the Company.

During the year under review, the Group's turnover was approximately RMB2,544,680,000, representing an increase of approximately 29.4% from approximately RMB1,966,464,000 in 2008. This growth in turnover was mainly attributable to the growth of the domestic auto market.

During the year under review, the Group's profit attributable to the shareholders of the Company was approximately RMB621,442,000, representing an increase of approximately 46.5% from approximately RMB424,110,000 in 2008. This growth was mainly attributable to the Group's focus on cost and expense control while achieving a moderate turnover growth to maintain a steady profitability.

Product Sales

During the year under review, the Group continued to focus on the production of its three core product categories, namely trims, decorative parts and body structural parts and the products were mainly sold to factories of the world's leading automakers.

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

	2009		2008	
Customer category	**RMB'000**	**%**	RMB'000	%
China	**2,152,322**	**84.6**	1,580,252	80.4
Asia Pacific	**145,385**	**5.6**	168,072	8.5
North America	**176,889**	**7.0**	135,045	6.9
Europe	**70,084**	**2.8**	83,095	4.2
Total	**2,544,680**	**100.0**	1,966,464	100.0

Overseas Market Sales

During the year under review, the Group's turnover from overseas markets was approximately RMB392,358,000, representing an increase of approximately 1.6% as compared to approximately RMB386,212,000 in 2008, with the proportion in the Group's total turnover decreasing to approximately 15.4% in 2009 from approximately 19.6% in 2008.

Gross Profit

During the year under review, the gross profit of the Group amounted to approximately RMB969,902,000 representing an increase of approximately 36.0% as compared to approximately RMB713,353,000 in 2008. The gross profit margin in 2009 was approximately 38.1%, an increase of approximately 1.8% as compared to approximately 36.3% in 2008. This was mainly due to the Group's increased focus on internal management and control and reduced costs by methods including pursuing localization of raw materials and centralized procurement, improving manufacturing process technologies and material utilization rate. All these efforts helped the Group in maintaining an overall decent level of gross profit margin.

Other Income

Other income amounted to approximately RMB36,762,000 during the year under review, with a decrease of approximately RMB29,783,000 from approximately RMB66,545,000 in 2008. This was mainly due to a decrease in government subsidies of approximately RMB40,443,000.

Other Gains and Losses

During the year under review, other gains amounted to net gain of approximately RMB7,560,000, an increase of net gains of approximately RMB74,703,000 as compared to losses of approximately RMB67,143,000 in 2008. This was mainly due to the impact of the global financial crisis in 2008, there was a impairment risk of the overseas trade receivables, and approximately RMB25,683,000 allowance was provided. However, no significant allowance was provided during the year under review. Meanwhile, unlike the significant fluctuation of RMB against United States dollar ("USD") in 2008, it was fluctuated within a narrow range during the year under review. The Group has also emphasized on the risk control of foreign exchange rates. There was a decrease of the exchange loss of approximately RMB53,462,000 during the year under review as compared with that in 2008.

Distribution and Selling Expenses

Distribution and selling expenses of the Group amounted to approximately RMB90,448,000 during the year under review, an increase of approximately 65.3% from approximately RMB54,718,000 in 2008. This was mainly due to the expenses incurred by the Group in establishing and expanding its overseas sales bases and increase in logistics expenses for overseas business development.

Administrative Expenses

Administrative expenses of the Group during the year under review amounted to approximately RMB175,080,000, an increase of approximately 19.5% from approximately RMB146,523,000 in 2008, representing approximately 6.9% of the Group's turnover, a decrease of approximately 0.6% against approximately 7.5% of the Group's turnover in 2008. This was mainly due to the Group's stringent control of administrative expenses so that the proportion of overall administrative expenses to turnover was maintained at a fairly low level.

Research Expenditure

Research expenditure of the Group during the year under review amounted to approximately RMB102,392,000, an increase of approximately 41.4% from approximately RMB72,418,000 in 2008, mainly attributable to the Group's increase in R&D expenditure so as to enhance its competitiveness and to sustain development through emphasis on technical innovations and enhancement of R&D capabilities.

Share of Profits (losses) of Jointly Controlled Entities

The Group's share of profits in jointly controlled entities during the year under review was approximately RMB7,837,000, which has increased by approximately RMB32,422,000 as compared with a loss of approximately RMB24,585,000 in 2008. This was mainly due to the fact that the Group's jointly controlled entity in North America started to be profitable during the year under review which resulted in an increase of share of profit amounting to approximately RMB27,617,000.

Share of Profits of Associates

The Group's share of profits of associates was approximately RMB40,828,000 during the year under review, representing an increase by approximately RMB10,773,000 or approximately 35.8% as compared with approximately RMB30,055,000 in 2008. This was mainly due to the fact that the profits of the Group's two associates remained stable and the Group's net gains increased due to its disposal of equity interest of an associate at the end of 2008 (which caused a loss of approximately RMB9,405,000 in 2008).

Income Tax Expense

The Group's income tax expenses increased from approximately RMB36,323,000 in 2008 to approximately RMB62,724,000 in 2009, representing an increase of approximately RMB26,401,000.

The Group's effective tax rate was approximately 8.7% in 2009, representing an increase of approximately 1.1% from approximately 7.6% in 2008. This was mainly due to the two major subsidiaries with a 50% deduction tax period in 2009 instead of full tax exemption period in 2008 and the various favorable tax policies the Group enjoyed for its compliance with the national industry supporting guidelines which encourage the R&D activities during the year. Hence the overall tax rate remained low.

Minority Interests

The Group's minority interests were approximately RMB37,253,000 during the year under review, representing an increase of approximately RMB22,764,000 when compared with approximately RMB14,489,000 in 2008. This was mainly due to the expiration of a fixed dividend payout agreement between the Group and a minority shareholder in one of its non-wholly owned subsidiaries on 31 December 2008. From 2009 onwards, profit will be distributed according to shareholders' respective percentages which resulted in a higher profit attributable to minority shareholder when compared with the fixed amount as stated in the agreement.

Liquidity and Financial Information

As at 31 December 2009, the Group's total bank balances and cash was approximately RMB1,964,985,000, representing an increase of approximately RMB535,384,000 when compared with approximately RMB1,429,601,000 as at 31 December 2008. As at 31 December 2009, the Group's aggregate low-cost borrowings had amounted to approximately RMB331,774,000, which comprised of the equivalent of approximately RMB221,354,000, approximately RMB25,575,000 and approximately RMB84,845,000 denominated in USD, Thai Bahts ("THB") and Japanese yen ("JPY") respectively, constituting an increase in borrowings of approximately RMB290,387,000 when compared with approximately RMB41,387,000 as at 31 December 2008. These were borrowings that the Group brought in taking into account the effect of overall management of capital structure, interest rate and exchange rate and all were repayable on demand or within one year.

Current ratio decreased from approximately 6.7 in 2008 to approximately 3.8 in 2009. The Company's gearing ratio as at 31 December 2009 was approximately 6.9% (2008: approximately 1.1%), which was a percentage based on the interest-bearing loans and borrowings divided by total assets.

Inventories turnover days during the year under review were approximately 59 days, which remained at the same level as 59 days in 2008.

Receivables turnover days during the year under review were approximately 65 days, an increase of 5 days as compared with approximately 60 days in 2008, which was mainly due to a substantial increase in the balance of trade receivables as at 31 December 2009 as a result of the recovery of the Chinese automobile market in 2009, and in particular, the substantial increase in sales in the second half of 2009, whereby the Group's receivables turnover days are within normal range. Generally speaking, receivables turnover days were maintained at a reasonable level.

Payables turnover days during the year under review were approximately 48 days, an extension of 5 days when compared with approximately 43 days in 2008. This was mainly due to the Group's strategy in reorganizing its supplier system, adopting the centralized payment approach, thus extending the average payables turnover days.

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

Commitments

As at 31 December 2009, the Group had the following commitments:

	RMB'000
Operating lease commitments	8,507
Capital commitments:	
Contracted for but not provided in the financial statements:	
– Acquisition of property, plant and equipment	50,107
– Capital injection to associates	4,004
Authorised but not contracted for lease premium for land	25,484

Operating lease payments represent the minimum rental payable by the Group for lease of certain of its properties. Capital commitments refer to contracts signed on purchases of property, plants and equipment, and capital injection to associates which had not been provided in the financial statements as capital expenditure, and capital expenditure in respect of payment for lease premium for land which is authorised but not contracted for.

Interest Rate and Foreign Exchange Risks

As at 31 December 2009, the Group's borrowings was approximately RMB331,774,000, with the amount denominated in currencies other than the functional currencies of the respective group entities. Such borrowings amounted to the equivalent of approximately RMB221,354,000 denominated in USD and of approximately RMB84,845,000 denominated in JPY, with approximately RMB47,710,000 at fixed interest rates and approximately RMB284,064,000 at floating interest rates. The aforesaid borrowings had no seasonality and would mature within one year.

Majority of the Group's sales and procurements are settled in RMB. With the expansion of its overseas operations, the management of the Company is closely monitoring the foreign currency risks.

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

As at 31 December 2009, the Group's cash equivalents denominated in currencies other than the functional currencies of the respective group entities amounted to approximately RMB267,939,000, with the equivalent of approximately RMB196,359,000 denominated in USD, approximately RMB61,727,000 denominated in HKD, approximately RMB7,396,000 denominated in Euro and approximately RMB2,457,000 denominated in JPY. In order to minimize the foreign exchange risks, the Group has delegated a team responsible for the planning of related work.

Contingent Liabilities

The Group had no contingent liabilities as at 31 December 2009 (2008: Nil).

Mortgaged Assets

As at 31 December 2009, the Group had borrowed approximately USD22,800,000 and approximately JPY14,002,000 (equivalent to approximately RMB155,683,000 and approximately RMB1,033,000 respectively) by mortgaging the fixed deposits with maturity period of one year which amounted to approximately RMB162,667,000 and borrowed approximately THB45,000,000 (equivalent to approximately RMB9,207,000) by pledging the freehold lands having a net book value of approximately RMB6,674,000. These loans is to be settled in USD, JPY and THB. (2008: the Group had borrowed approximately USD5,000,000 (equivalent to approximately RMB34,173,000) by mortgaging a fixed deposit of approximately RMB42,600,000 with maturity period of one year).

Capital Expenditure

During the year 2009, the Group's capital expenditure including investment in equipment, plant and property, and land use rights amounted to approximately RMB226,343,000 (2008: approximately RMB256,557,000). These capital expenditures were attributable to the expansion of production capacity and advancement of R&D capabilities of the Group.

Employees

As at 31 December 2009, the Group had 5,148 employees, an increase of 1,656 from that of 31 December 2008. The average number of the employees for the whole year was 4,320, and hence, the total employee costs in 2009 accounted for approximately 10.2% of the Group's total turnover, which increased slightly as compared with approximately 10.0% in 2008. This was mainly due to the Group's downsizing of staff based on the then market situation in 2008 and the subsequent increase of the staff headcount to satisfy the market needs during the year under review, and appropriately reserved human resources at the end of the period under review for future production capacity expansion.

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

Share Option Scheme

The Company had adopted a conditional share option scheme ("Share Option Scheme") pursuant to which share options of the Company ("Share Options") will be granted to eligible persons as rewards or incentives who have contributed or will contribute to the Group. Details of the Share Option Scheme are set out in note 36 to the consolidated financial statements.

Future Development

Market

Following the unprecedented challenges encountered in 2008 and with the stimulating economic revitalization policies from various governments, the passenger vehicle industry demonstrated a recovering growth in different degrees during the year under review, particularly in the China market with remarkable performance. In future years, the pace of growth of the China market may dampen but the growth trend will not change by virtue of the continuous strong domestic demand. On the other hand, compared with the fact that the sales in domestic market during the year under review was strongly underpinned by the sales of small-sized and basic type passenger vehicles, the Group believes that the domestic consumers will increase the demand for mid-size basic type passenger vehicle and multi-purpose vehicle ("MPV") and sport utility vehicle ("SUV") in the coming several years. The Group expects to benefit form the above changes in demand and achieve better performance in future.

Meanwhile, after the intense reform and restructuring, the global economy and the passenger vehicle market is expected to revive and recover gradually and continuously. Leveraging on the low costs and globalization trend, the Group will actively explore in order to embrace the revival and the outsourcing trend among global passenger vehicle manufacturers by increasing purchasing from relatively low cost countries and regions such as China to reduce cost. The Group also believes that the said reform and restructuring represents a good opportunity for the Group to investigate the industry investment and strategic investment opportunities. The Group will seek investment projects suitable and beneficial in a more active manner in the future.

PRC policy environment

During the year under review, the Chinese government promulgated a series of policies and guidelines such as "Adjustment and Revitalization Plan for Automobile Industry (汽車產業調整振興計劃)", "Policy on Development of Automotive Industry (Revised in 2009)(汽車產業發展政策(2009修訂)", "The Decision Concerning Abolishment of (Measure for the Adminstration of Import of Automobile Components and Parts Featuring Complete Vehicles (關於廢止《構成整車特徵的汽車零部件進口管理辦法》的決定))" and six Ministries' "Opinion on Enhancing the Sustainable and Healthy Development of the Export of Auto Products of China (關於促進我國汽車產品出口持續健康發展的意見)" to encourage and facilitate the development of the passenger vehicle industry, whereby the majority of these policies and guidelines will remain valid in the future years. The Group believes that the China development direction for the domestic passenger vehicle market will maintain active and positive. These policies and guidelines will provide beneficial effects on the Group's future development.

Outlook

In the short to medium term, the Company considers the China passenger vehicle industry will still have extensive development prospects in the future due to its enormous market size, and the international market is expected to witness a healthier environment and stable growth after its reform and reorganization. In the long-run, the demand for automobiles as one of the main means of transport will increase continuously in general whether in domestic and overseas markets. Therefore, through contributions in research and development, continuous internal control, organization optimization, scientific management to enhance efficiency, internationalized teams and leveraging on positive and stable layout and strategic arrangement, the Group believes that it will always be able to keep its vitality in future development, consolidate its advantageous position in the Chinese domestic market, extend its influence in global markets, and gradually transform to become a global auto-parts industry leader.

Directors and Senior Management

Directors

Executive Directors

Chin Jong Hwa (秦榮華) ("Mr. Chin"), aged 51, is the Chairman and an executive director of the Company. He founded the Group in March 1997 and is the controlling shareholder of the Company. Mr. Chin graduated from China Urban Administration College. Mr. Chin has experience of over 20 years in management in the auto-parts industry and has been leading the management team since the founding of the Group. Mr. Chin is also active in various other organizations, including being a member of Ningbo People's Political Consultative Conference, vice-chairman of Ningbo Association of Enterprises with Foreign Investments, a director of the Ningbo Vocational Technical College, one of the consultants to the Ningbo Government for Hong Kong, Macao and Taiwan Affairs and executive vice-chairman of Jiaxing Association of Enterprises with Investments from Taiwan. Mr. Chin was awarded the title of Ningbo Honorary Citizen in 1999. He was appointed as a Director of the Group on 14 July 2005. As at 31 December 2009, Mr. Chin is interested in 45.22% shareholding interest in the Company through Linkfair Investments Limited ("Linkfair"), a company wholly owned by Mr. Chin which held 436,664,000 shares of the Company as at 31 December 2009. Save as aforesaid, Mr. Chin has no interests in the shares of the Company within the meaning of Part XV of the SFO as at 31 December 2009.

Shi Jian Hui (石建輝) ("Mr. Shi"), aged 37, is the Chief Executive Officer ("CEO") and an executive director of the Company. Mr. Shi graduated from Zhejiang University of Technology where he majored in the machinery design and manufacturing and obtained an Executive Master of Business Administration ("EMBA") degree from the Cheung Kong Graduate School of Business in 2007. Mr. Shi has experience of over 15 years in the Chinese auto-parts industry since he joined one of Mr. Chin's companies in 1993. Prior to his current position as CEO, he assumed responsibility as general manager of operations (including leading both overseas and domestic business departments), head of the R&D Centre and was in charge of Human Resources Departments for the Group as a whole. Mr. Shi joined the Group in March 1997 and was appointed as a Director on 14 July 2005. As at 31 December 2009, save for his interest in 1,300,000 Share Options, Mr. Shi has no interests in the shares of the Company within the meaning of Part XV of the SFO.

Mu Wei Zhong (穆偉忠) ("Mr. Mu"), aged 44, is the Chief Operating Officer ("COO") and an executive director of the Company. Mr. Mu has experience of over 20 years in engineering. Before joining one of Mr. Chin's companies in 1993, Mr. Mu worked at Zhejiang Shipyard as an assistant engineer. Prior to his current position, Mr. Mu was in charge of the Group's overseas business and operations and before that served in various members of the Group as member of the production management team, sales manager, deputy manager, financial controller and general manager successively. Mr. Mu graduated from Wuhan University of Water Transportation Engineering with a bachelor's degree in Vessel Design and Manufacture. He obtained an EMBA degree from the School of Management, Fudan University in 2007. Mr. Mu joined the Group in March 1997 and was appointed as a Director on 14 July 2005. As at 31 December 2009, save for his interest in 892,000 Share Options in the Company, Mr. Mu has no interests in the shares of the Company within the meaning of part XV of the SFO.

Zhao Feng (趙鋒) ("Mr. Zhao"), aged 41, is the Chief Marketing Officer ("CMO") and an executive director of the Company. With the overall responsibilities for the Group's R&D and sales, Mr. Zhao has experience of over 11 years in business management. Prior to joining the Group in 1999, Mr. Zhao was a technical supervisor, a purchase officer and an assistant general manager for another Chinese manufacturer. Since joining the Group, Mr. Zhao has worked successively as a purchase officer, manager of the business department and deputy general manager of business operations. Mr. Zhao joined the Group in March 1999 and was appointed as a Director on 22 December 2006. As at 31 December 2009, Mr. Zhao was interested in 860,000 Share Options in the Company. In addition, as at 31 December 2009, Ms. Zhu Chun Ya ("Ms. Zhu") was interested in 782,000 Share Options in the Company. Since Mr. Zhao is the spouse of Ms. Zhu, he was deemed to be interested in the 782,000 Share Options in which Ms. Zhu was interested in. Save as aforesaid, Mr. Zhao has no interests in the shares of the Company within the meaning of Part XV of the SFO as at 31 December 2009.

Non-executive Directors

Mikio Natsume (夏目美喜雄) ("Mr. Natsume"), aged 69, is a non-executive director of the Company and has more than 47 years of working experience in auto-parts manufacturing industry in Japan. Before joining the Company, Mr. Natsume had worked in Aisin Seiki Co., Ltd (which was named as Shinkawa Kogyo Co., Ltd before) since 1963, where he served as the manager of International Planning Department, director, executive director, and vice-chairman of the board successively. Mr. Natsume received his bachelor's degree in Economics in Kanagawa University. Mr. Natsume was a director of Aisin Seiki Co., Ltd and Exedy Corporation, both being companies listed on the Tokyo Stock Exchange. Mr. Natsume was appointed as a Director of the Company on 1 January 2008 and was re-appointed on 2 December 2008 and 2 December 2009. As at 31 December 2009, Mr. Natsume has no interests in the shares of the Company within the meaning of Part XV of the SFO.

Zheng Yu (鄭豫) ("Ms. Zheng"), aged 41, is a non-executive director of the Company and has worked in the computer industry both in China and the United States for many years. She accumulated over 14 years experience in management consulting industry as well as through her work with the Boston Consulting Group, Roland Berger Strategy Consultants as senior partner responsible for the industrial and automotive industry business for Greater China, and later she joined AIG Global Investment Consulting (Shanghai) Co., Ltd. in charge of private equity investment in China as the managing director. During the past 13 years, Ms. Zheng has extensive experience in various fields such as strategy development, brand management, organizational restructuring, global sourcing, joint venture strategy, and project management for both global and Chinese clients. Her industry experience includes automotive, industrial goods, consumer electronics, publishing, etc. Ms. Zheng is now the Managing Director for Pinebridge Investment. Ms. Zheng received her bachelor's degree in Computer Science in Beijing Normal University and Master of Business Administration in the University of Texas at Austin. Ms. Zheng was appointed as a Director of the Company on 1 January 2008 and was re-appointed on 2 December 2008 and 2 December 2009. As at 31 December 2009, Ms. Zheng has no interests in the shares of the Company within the meaning of Part XV of the SFO.

Tokio Kurita (栗田閑雄) ("Mr. Kurita"), was a non-executive director of the Company and has resigned with effect from 2 December 2009, the Company would like to extend its gratitude to Mr. Kurita for his valuable contributions to the Company in the past years.

Independent Non-executive Directors

Wang Ching (王京) ("Dr. Wang"), aged 55, has been an independent non-executive director of the Company since 26 October 2005. Dr. Wang has over 18 years' managerial experience in investment banking, securities, treasury and asset management in the United States, Hong Kong, Taiwan and the PRC. He is currently the managing director of Shanghai International Asset Management (HK) Co. Ltd., a licensed corporation registered with Honk Kong Securities and Futures Commission. He is also the executive director of Shanghai International Shanghai Growth Investment Limited, an investment fund company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Besides, Dr. Wang also serves as an adjunct Associate Professor of Global Management Education Institute, Shanghai University. Dr. Wang received his doctorate degree from the Graduate School of Business, Columbia University in 1992. As at 31 December 2009, Dr. Wang has no interests in the shares of the Company within the meaning of Part XV of the SFO.

Zhang Liren (張立人) ("Mr. Zhang"), aged 63, has been an independent non-executive director of the Company since 26 October 2005. Mr. Zhang has experience of over 41 years in the automobile, electronic and mechanical industry. He is an executive director of Shanghai General Motors Corporation Limited specializing in the area of vehicle platform. He is also the general executive engineer of Pan Asia Auto Technology Centre. Prior to his current position, he was the director of Business Planning Development Department and the senior manager of the Quality Control Department in Shanghai General Motors Corporation Limited. He was also the deputy chief engineer of Shanghai Auto Industry Technology Centre and a research officer in the Computer and Equipment Department in Shanghai Auto Research Institute. As at 31 December 2009, Mr. Zhang has no interests in the shares of the Company within the meaning of Part XV of the SFO.

Wu Fred Fong (胡晃) ("Mr. Wu"), aged 62, is an independent non-executive director of the Company and has considerable experience in auditing, corporate planning, corporate finance investment, consulting and administration with public companies in Canada and Hong Kong. Mr. Wu holds a master degree in Business Administration in the Schulich School of Business, York University, Canada. Mr. Wu is a Chartered Accountant qualified in Canada and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wu held the position of executive director in VODone Limited (formerly, Yanion International Holdings Limited), a public company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), from the year 2000 until his retirement on 31 January 2008. Currently, Mr. Wu is the chief financial officer of Heng Xin China Holdings Limited and an independent non-executive director of China Public Procurement Limited. Mr. Wu was appointed as an independent non-executive director of the Company and Chairman of the Audit Committee of the Company on 1 January 2009 and reappointed on 1 January 2010. As at 31 December 2009, Mr. Wu has no interests in the shares of the Company within the meaning of Part XV of the SFO.

Senior Management

Loke Yu (陸海林) ("Dr. Loke"), aged 60, was appointed as Company Secretary of the Company in 2007. Dr. Loke has over 35 years of experience in accounting and auditing for private and public companies, financial consultancy and corporate management. He holds a Master of Business Administration degree from Universiti Teknologi Malaysia and a Doctor of Business Administration degree from University of South Australia.

He is a Fellow of The Institute of Chartered Accountants in England and Wales; Hong Kong Institute of Certified Public Accountants; and The Hong Kong Institute of Directors. He is also an Associate member of The Hong Kong Institute of Chartered Secretaries and a member of Malaysian Institute of Accountants. He is the Chairman of MHL Consulting Limited and serves as an independent non-executive director of Vodone Limited, Matrix Holdings Limited, Bio-Dynamic Group Limited, China Fire Safety Enterprise Group Holdings Limited, Winfair Investment Company Limited, Scud Group Limited, and Zhong An Real Estate Limited, companies listed on The Stock Exchange of Hong Kong Limited. As at 31 December 2009, Dr. Loke has no interests in the shares of the Company within the meaning of Part XV of the SFO.

Bao Jian Ya (包建亞) ("Ms. Bao"), aged 38, is the Chief Financial Officer ("CFO") of the Company. Ms. Bao graduated from Shanghai University of Finance and Economics in 1993 where she majored in international accounting. She has experience of over 16 years in accounting and financial management. Prior to joining the Group in March 2005 and assuming the responsibility of financial controller of the Company, she was the financial controller of another Chinese manufacturer. She was nominated as CFO of the Group on 22 December 2006. As at 31 December 2009, save for her interest in 590,000 Share Options in the Company, Ms. Bao has no interests in the shares of the Company within the meaning of Part XV of the SFO.

Zhu Chun Ya (朱春亞) ("Ms. Zhu"), aged 38, is the Chief Human Resources Officer ("CHRO") of the Company . Ms. Zhu graduated from Jiangnan University in 1994 where she majored in Package Engineering. Prior to joining the Group in 1999, she was a teacher at the Mechanical Engineering Department in Ningbo University. Since joining the Group, Ms. Zhu has worked as manager of the Purchasing Department and assistant to general manager of the Group. Ms. Zhu has over 9 years of human resources management experience. As at 31 December 2009, Ms. Zhu was interested in 782,000 Share Options in the Company. In addition, Mr. Zhao was interested in 860,000 Share Options in the Company. Since Ms. Zhu is the spouse of Mr. Zhao, she is deemed to be interested in the 860,000 Share Options in which Mr. Zhao is interested in. As at 31 December 2009, save as aforesaid, Ms. Zhu has no interests in the shares of the Company within the meaning of Part XV of the SFO.

Hsieh Cheng-Hsien (謝政憲) ("Mr. Hsieh"), aged 42, is the assistant to COO of the Company. Prior to joining the Group and assuming the responsibility of general manager of the Group's Technical Centre, Mr. Hsieh spent ten years at Taiwan CAC (Chinese Automobile Co., Ltd.) responsible for supplier management and product development and two years with General Motors in Taiwan in charge of global purchasing and another two years at Brilliance China Automotive Holdings Limited responsible for the purchasing system and planning. As at 31 December 2009, save for his interest in 750,000 Share Options in the Company, Mr. Hsieh has no interests in the shares of the Company within the meaning of Part XV of the SFO.

Liu Yan Chun (劉艷春) ("Mr. Liu"), aged 44, is the general manager, in charge of the business operations of East China Region 1, namely Jiaxing Minhui Automotive Parts Co., Ltd, Jiaxing EL Triumph Automotive Parts Co., Ltd., Jiaxing Minth Hashimoto Automotive Parts Co., Ltd. and Jiaxing Situ Automotive Parts Co., Ltd., all of which are the indirect subsidiaries of the Company. Mr. Liu graduated from Harbin Institute of Technology in 1989 with a major of industry management engineering. Mr. Liu has been engaged in production management in the Group since his graduation. Since joining the Group in 1999, Mr. Liu has worked in promoting the quality system of QS9000 and TS16949 and subsequently in factory management. As at 31 December 2009, save for his interest in 700,000 Share Options in the Company, Mr. Liu has no interests in the shares of the Company within the meaning of Part XV of the SFO.

Kang Qi Zheng (康齊正) ("Mr. Kang"), aged 40, is the general manager of the Group's Technical Center (Ningbo). Mr. Kang graduated from Northwestern Polytechnical University in 1991 where he majored in Aerodynamics. Mr. Kang has experience of over 17 years in the auto-parts industry of China. Mr. Kang had been engaged in technology research and management before he joined one of Mr. Chin's companies in 1993. Prior to his current position as general manager of the Group's Technical Center (Ningbo), Mr. Kang was the assistant to general manager of the Group's Technical Center (Ningbo) and the deputy general manager of the Group's Technical Center (Ningbo). As at 31 December 2009, save for his interest in 700,000 Share Options in the Company, Mr. Kang has no interests in the shares of the Company within the meaning of Part XV of the SFO.

Yi Lei Li (易蕾莉) ("Ms. Yi"), aged 36, is the general manager of the Investor Relations Department of the Company. Ms. Yi graduated from East China Normal University in 1994 where she majored in English Language and Literature. Prior to joining the Group in February 2001, she was a lecturer at the Faculty of Foreign Languages in Ningbo University. Since joining the Group, Ms. Yi has worked as manager of the Human Resources Department, manager of Overseas Business Development Department and assistant to general manager of the Group. As at 31 December 2009, save for her interest in 350,000 Share Options in the Company, Ms. Yi has no interest in the shares of the Company within the meaning of Part XV of the SFO.

Corporate Governance Report

Corporate Governance Practice

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

Distinctive Roles of Chairman, Chief Executive Officer ("CEO") and Senior Management

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

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

The Board

As of 31 December 2009, there are nine members on the Board, which are the Chairman, the CEO, two other executive Directors, two non-executive Directors ("NEDs") and three independent non-executive Directors ("INEDs").

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

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

The Board met regularly during the year and on ad hoc basis as required by business needs. The Board's primary purpose is to set and review the overall strategic development of the Group and to oversee the achievement of the plans to enhance Shareholders' value. Daily operational decisions are delegated to the executive Directors. The Board met six times during the year 2009 and the Directors' attendance is shown in the table on page 18 of the annual report. Non-executive Directors and independent non-executive Directors are allowed to seek advice from independent professional consultants while performing their responsibilities and the costs are to be borne by the Company. The Board has conducted a review of the effectiveness of the system of internal control of the Group.

Mr. Chin Jong Hwa, Mr. Shi Jian Hui, and Mr. Mu Wei Zhong will retire and all shall offer themselves for re-election in the forthcoming annual general meeting ("Annual General Meeting") of the Company.

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

The term of appointment for all NEDs is for period up to next annual general meeting of the Company in 2011.

Audit Committee

The Group has established an Audit Committee with written terms of reference as suggested under the Code of Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and adopted with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants. As of 31 December 2009, the Audit Committee comprises all INEDs namely Mr. Wu Fred Fong, Dr. Wang Ching and Mr. Zhang Liren. As of 31 December 2009, the chairman of the Audit Committee is Mr.Wu Fred Fong. Each member can bring to the Audit Committee his valuable experience in reviewing financial statements and evaluating significant control and financial issues of the Group who among themselves posses a wealth of management experience in the accounting profession or commercial sectors. The Audit Committee has held 2 meetings during the year 2009 and the relevant Directors' attendance is shown in the table on page 18 of the annual report.

The main duties of the Audit Committee are as follows:

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

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

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

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

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

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

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

The Audit Committee reviewed the financial statements of the Group for the year ended 31 December 2009 prior to recommending the financial statements to the Board for approval. The Board was informed that the Audit Committee had conducted a review of the effectiveness of the system of internal control of the Group. The Board has not taken a different view from that of the Audit Committee regarding the selection, resignation or dismissal of the external auditors.

Remuneration Committee

The Company established a remuneration committee ("Remuneration Committee") in November 2005. Its terms of reference are summarized as follows:

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

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

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

The Remuneration Committee comprises a non-executive director, namely Ms. Zheng Yu, and independent non-executive directors, namely Mr. Wu Fred Fong, Dr. Wang Ching, and Mr. Zhang Liren.

The Remuneration Committee held three meetings during the year 2009 to discuss remuneration related matters and the relevant Directors' attendance is shown in the table set out on page 18 of the annual report.

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

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

Nomination of Directors

The Board is responsible for considering the suitability of an individual to act as a Director, and approving and terminating the appointment of a Director. The Company has not established a Nomination Committee. The Company currently does not have any plans to set up a Nomination Committee considering the small size of the Board.

The Chairman is responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional Director is considered necessary. The Chairman proposes the appointment of such candidates to each member of the Board for consideration. In relation to the appointment of an independent non-executive Director, each member of the Board will review the qualifications of the relevant candidate for determining the suitability to the Group on the basis of his or her qualifications, experiences and background.

During the year 2009, the Board has also determined the policy for the nomination of directors of the Company.

Composition of the Board and the Directors' attendance record for the year ended 31 December 2009

	The Board	Audit Committee	Remuneration Committee
Number of Meetings	6	2	3
Executive Directors			
Chin Jong Hwa *(Chairman)*	6	N/A	N/A
Shi Jian Hui *(CEO)*	6	N/A	N/A
Mu Wei Zhong *(COO)*	6	N/A	N/A
Zhao Feng *(CMO)*	6	N/A	N/A
Non-executive Directors			
Mikio Natsume	6	N/A	N/A
Tokio Kurita (resigned with effect from 2 December 2009)	5	N/A	N/A
Zheng Yu	6	N/A	3
Independent Non-executive Directors			
Wang Ching	6	2	3
Zhang Liren	6	2	3
Wu Fred Fong	6	2	3

Independence Information

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

Compliance with the Code on Corporate Governance Practices and Compliance with Model Code

None of the Directors is aware of any information that would reasonably indicate that the Company was not at any time during the year 2009 in compliance with the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the Company's code of conduct and rules governing dealings by all Directors in the securities of the Company. Having made specific enquiry of all Directors, the Directors confirmed they had strictly complied with the standards set out in the Model Code during the year 2009.

Auditor's Remuneration

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year 2009, the Company is required to pay an aggregate of approximately RMB3,380,000 to the external auditor for its audit services. Additionally, the compensation payable for the auditors' engagement for non-audit services amounted to approximately RMB38,000.

Directors' and Auditor's Responsibilities for Accounts

The Directors' responsibilities for the accounts and the responsibilities of the external auditor to the Shareholders are set out on page 33 of the annual report.

Looking Forward

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

Directors' Report

The board ("Board") of directors ("Directors") of Minth Group Limited (the "Company") is pleased to present the annual report and the audited financial statements of the Company and its subsidiaries ("Group") for the year ended 31 December 2009.

Principal Activities

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

Results

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 35 of the annual report.

Dividends

The Board recommends the payment of a final dividend of HK$0.219 per share for the year ended 31 December 2009 to the Shareholders on the Company's register of members on 18 May 2010.

Property, Plant and Equipment

During the year, the Group incurred approximately RMB225,891,000 for the acquisition of property, plant and equipment. Details of these and other movements in property, plant and equipment of the Group are set out in note 15 to the financial statements.

Share Capital and Reserves

During the year ended 31 December 2009, Mr. Mu Wei Zhong (a Director), Mr. Zhao Feng (a Director) and his spouse Ms. Zhu Chun Ya have exercised 208,000 Share Options, 240,000 Share Options and 168,000 Share Options, respectively. 10,400,000 Share Options have been exercised by persons who are not directors of the Company. 2,055,000 Share Options lapsed due to resignations of persons who are not directors of the Company. During the year ended 31 December 2009, the Company has issued 11,016,000 Shares as a result of the exercise of share options granted pursuant to the Share Option Scheme. The total consideration received by the Company for such issue during the year 2009 amounted to approximately HK$69,510,960.

Save as disclosed herein, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of its listed securities during the year ended 31 December 2009.

Movements in the reserves of the Group and the Company during the year are set out on page 39 of the annual report.

The Company's reserves available for distribution represent the share premium, reserves and profit which in aggregate amounted to approximately RMB3,636 million as at 31 December 2009. Under the Companies Law, Cap 22 (Law 3 of 1961, consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of the Company's memorandum and articles of association ("Articles") and provided that immediately following the date on which distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles, dividends may be declared and paid out of the profits of the Company, realised or unrealised or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividend may also be declared and paid out of share premium account of the Company.

Debentures

During the year 2009, the Company did not issue any debentures.

Financial Summary

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

Major Suppliers and Customers

For the year ended 31 December 2009, the largest customer accounted for approximately 16.2% of the Group's revenue, and the five largest customers accounted for approximately 48.0% of the Group's revenue.

The purchases for the year ended 31 December 2009 attributable to the Group's largest supplier and five largest suppliers were approximately 5.9% and approximately 20.5% of the Group's total cost of goods sold respectively.

None of the Directors, their respective associates or the existing shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital), has any interests in the Group's five largest suppliers and/or customers for the year ended 31 December 2009.

Donation

During the year 2009, the donations made by the Group amounted to approximately RMB770,000 (2008: approximately RMB1,232,000).

Directors

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

Executive Directors:
Chin Jong Hwa *(Chairman)*
Shi Jian Hui *(CEO)*
Mu Wei Zhong *(COO)*
Zhao Feng *(CMO)*

Non-executive Directors:
Mikio Natsume
Tokio Kurita (Resigned with effect from 2 December 2009)
Zheng Yu

Independent Non-executive Directors:
Wang Ching
Zhang Liren
Wu Fred Fong (Appointed on 1 January 2009)

In accordance with Article 87 of the Articles, Mr. Chin Jong Hwa, Mr. Shi Jian Hui and Mr. Mu Wei Zhong will retire from office, and all being eligible, will offer themselves for re-election at the forthcoming Annual General Meeting.

Directors' Service Contracts

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

Appointment of Independent Non-executive Directors

Apart from Mr. Wu Fred Fong, each of the independent non-executive Directors was nominated on 26 October 2005 for a fixed term of one year and was subsequently renewed on 1 December 2006, 1 December 2007, 1 December 2008 and 2 December 2009 respectively. The previous three reappointments were with one-year extension and the latest one is with an extension till next AGM in 2011 of the Company.

Mr. Wu Fred Fong was appointed as an independent non-executive Director on 1 January 2009 for a fixed term of one year. His appointment was renewed on 2 December 2009 with an extension till next AGM in 2011 of the Company.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The Company considers all of the independent non-executive Directors are independent.

Biographical Details of Directors and Senior Management

Brief biographical details of the Directors and senior management are set out on pages 13 to 15 of the annual report.

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

As at 31 December 2009, the interests and short positions of the Directors and the chief executives of the Company in the shares of the Company ("Shares"), underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) and the Model Code were as follows:

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

Name of Director	Company/ Name of Associated Corporation	Long/Short position	Nature of Interest	Total Number of Shares	Percentage of the Company's Issued Share Capital (Note 4)
Chin Jong Hwa	Company	Long position	Interest of controlled corporation *(Note 1)*	436,664,000	45.75%
Shi Jian Hui	Company	Long position	Beneficial owner	1,300,000 *(Note 2)*	0.13%
Mu Wei Zhong	Company	Long position	Beneficial owner	892,000 *(Note 2)*	0.09%
Zhao Feng	Company	Long position	Beneficial owner and interest of spouse *(Note 3)*	1,642,000 *(Note 3)*	0.17%

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

Note 2: These figures represent the total number of Shares over which Share Options granted under the Share Option Scheme are exercisable. Upon exercise of the Share Options, Mr. Shi and Mr. Mu will acquire 1,300,000 and 892,000 Shares respectively.

Note 3: These figures represent the total number of Shares over which Share Options granted under the Share Option Scheme are exercisable. Upon exercise of the options under the Share Option Scheme, Mr. Zhao and his spouse, Ms. Zhu, will acquire 860,000 and 782,000 Shares respectively. Since Mr. Zhao is the spouse of Ms. Zhu, he is deemed to be interested in the 782,000 Shares in which Ms. Zhu is interested in.

Note 4: Percentages shown are that as recorded in the Section 352 SFO register kept by the Company. As at 31 December 2009, the total issued share capital of the Company was 965,556,000 Shares.

Other than as disclosed above, as at 31 December 2009, none of the Directors, chief executives and their associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Share Option Scheme

The Share Option Scheme was adopted pursuant to a written resolution of all the then shareholders of the Company passed on 13 November 2005.

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

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

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

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

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

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

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

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

As at the date of 31 December 2009, the total number of Share Options the Company granted to the employees and some of the Directors and their connected persons amounted to 41,600,000 Share Options. The number of Shares Options that could still be granted under the Share Option Scheme was 41,400,000, representing 4.3% of the Shares of the Company in issue as at 23 March 2010, being the date of this annual report.

Details are as follows:

Name and status of participants	Number of Shares (Note) As of 1 January 2009	Granted during the Period	Exercised during the Period (Note 4)	Lapsed during the Period	As of 31 December 2009	Date of Grant	Exercise Period (Note 2)	Subscription Price (HKD) (Note 3)
Directors, Chief executives, and substantial shareholders and their respective connected persons								
Mr. Shi Jian Hui	250,000	–	–	–	250,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	250,000	–	–	–	250,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
	400,000	–	–	–	400,000	4-7-2008	1-2-2010 to 12-11-2013	5.34
	400,000	–	–	–	400,000	4-7-2008	1-2-2011 to 12-11-2013	5.34
Mr. Mu Wei Zhong	250,000	–	104,000	–	146,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	250,000	–	104,000	–	146,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
	300,000	–	–	–	300,000	4-7-2008	1-2-2010 to 12-11-2013	5.34
	300,000	–	–	–	300,000	4-7-2008	1-2-2011 to 12-11-2013	5.34
Mr. Zhao Feng	250,000	–	120,000	–	130,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	250,000	–	120,000	–	130,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
	300,000	–	–	–	300,000	4-7-2008	1-2-2010 to 12-11-2013	5.34
	300,000	–	–	–	300,000	4-7-2008	1-2-2011 to 12-11-2013	5.34
Ms. Zhu Chun Ya	250,000	–	84,000	–	166,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
(Note 1)	250,000	–	84,000	–	166,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
	225,000	–	–	–	225,000	4-7-2008	1-2-2010 to 12-11-2013	5.34
	225,000	–	–	–	225,000	4-7-2008	1-2-2011 to 12-11-2013	5.34
Subtotal	4,450,000		616,000	–	3,834,000			

Name and status of participants	As of 1 January 2009	Number of Shares (Note) Granted during the Period	Exercised during the Period (Note 4)	Lapsed during the Period	As of 31 December 2009	Date of Grant	Exercise Period (Note 2)	Subscription Price (HKD) (Note 3)
Other Participants	8,755,000	–	5,200,000	880,000	2,675,000	1-2-2007	1-2-2008 to 12-11-2010	6.31
	8,030,000	–	5,200,000	155,000	2,675,000	1-2-2007	1-2-2009 to 12-11-2010	6.31
	8,915,000	–	–	510,000	8,405,000	4-7-2008	1-2-2010 to 12-11-2013	5.34
	8,915,000	–	–	510,000	8,405,000	4-7-2008	1-2-2011 to 12-11-2013	5.34
Subtotal	34,615,000	–	10,400,000	2,055,000	22,160,000			
Total	39,065,000	–	11,016,000	2,055,000	25,994,000			

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

Note 1: Spouse of Mr. Zhao, and CHRO of the Company.

Note 2: The option period for the Share Options granted on 1 February 2007 is for three years nine months and eleven days and such Share Options will vest in tranches beginning on the first anniversary of the date of grant as to 50%, and the remainder vesting on the second anniversary of the date of grant. The option period for the Share Options granted on 4 July 2008 is for five years four months and eight days and such Share Options will vest in tranches beginning on 1 February 2010 as to 50% and the remainder vesting on 1 February 2011.

Note 3: The exercise price of the Share Options is subject to adjustment in the case of rights or bonus issues, or other similar changes.

Note 4: The weighted average closing price of the Shares immediately before the dates on which the Share Options were exercised during the year 2009 is HK$9.69 per share.

As at the date of 31 December 2009 since the adoption of the share option scheme of the Company, Mr. Mu Wei Zhong (a Director), Mr. Zhao Feng (a Director) and his spouse Ms. Zhu Chun Ya have exercised 208,000 Share Options, 240,000 Share Options and 168,000 Share Options, respectively. 10,440,000 Share Options have been exercised by persons who are not directors of the Company. 4,550,000 Share Options lapsed due to resignations of persons who are not directors of the Company.

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

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

Directors' Rights in Purchasing Shares or Debenture

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

Directors' Interests in Contracts of Significance

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

Management Contract

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

Substantial Shareholders

(a) Interests or short positions in the Company

As at 31 December 2009, the interests or short positions of substantial shareholders, other than the Directors or the chief executives of the Company, in the Shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO are as follows:

Name of Substantial Shareholder	Capacity	Long/Short position	Number of Shares	Percentage of the Company's Issued Share Capital *(Note 5)*
Wei Ching Lien	Interest of spouse	Long position	436,664,000 *(Note 1)*	45.75%
Linkfair	Beneficial owner	Long position	436,664,000 *(Note 2)*	45.75%
Commonwealth Bank of Australia	Interest of controlled corporations	Long position	86,120,000 *(Note 3)*	8.93%
Karr Robert A.	Interest of controlled corporations	Long position	48,188,000 *(Note 4)*	5.05%

Note 1: As at 31 December 2009, Linkfair was beneficially interested in 436,664,000 Shares. Linkfair was wholly-owned by Mr. Chin and he was therefore deemed to be interested in the entire 436,664,000 Shares held by Linkfair. Since Ms. Wei is the spouse of Mr. Chin, Ms. Wei was deemed to be interested in the 436,664,000 Shares in which Mr. Chin was deemed to be interested.

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

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

Note 4: As at 31 December 2009, based on the disclosure of interests forms filed with the Stock Exchange, Mr. Karr has (i) 74.25% control over Joho Capital, L.L.C., an entity which is deemed by the SFO to be interested in 33,777,358 Shares in aggregate that are held by the three entities controlled by it and (ii) 74.25% control over RAK Capital, L.L.C., an entity which is deemed by the SFO to be interested in 14,410,642 Shares in aggregate that are held by the two entities controlled by it. Mr. Karr is therefore deemed by the SFO to be interested in 48,188,000 Shares in aggregate.

Note 5: Percentages shown are that as recorded in the Section 352 SFO register kept by the Company. As at 31 December 2009, the total issued share capital of the Company was 965,556,000 Shares.

(b) Interests or short positions in other members of the Group as at 31 December 2009

Member of the Group	Name of the corporation who directly or indirectly owns 10% or more equity in other members of the Group	Percentage of interest in such member of the Group
Guangzhou Minhui Automobile Parts Co., Ltd.	Sankei Giken Holdings Co., Ltd.	30%
Tianjin Shintai Automobile Parts Co., Ltd.	Aisin Tianjin Body Parts Co.,Ltd.	19.8%
Jiaxing Minth Hashimoto Automotive Parts Co., Ltd.	FALTEC Co., Ltd.	35%
Changchun Minth Automotive Parts Co., Ltd.	Changchun Kedi Equipment Technology Co., Ltd.	45%
MINTH AAPICO (Thailand) Co., Ltd.	AAPICO HITECH Public Company Limited	40%

Other than as disclosed above, as at 31 December 2009, the Company had not been acknowledged by any person of any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Purchase, Sale or Redemption of Securities

During the year ended 31 December 2009, Mr. Mu Wei Zhong (a Director), Mr. Zhao Feng (a Director) and his spouse Ms. Zhu Chun Ya have exercised 208,000 Share Options, 240,000 Share Options and 168,000 Share Options, respectively. 10,400,000 Share Options have been exercised by persons who are not directors of the Company. 2,055,000 Share Options lapsed due to resignations of persons who are not directors of the Company.

Except for the above disclosure, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of its listed securities during the year 2009.

Connected Transactions and Continuing Connected Transactions

During the year 2009, the following connected transaction and continuing connected transactions have been entered into by the Group. Save as disclosed herein, these transactions complied with Chapter 14A of the Listing Rules requirements in relation to reporting, announcement and/or independent shareholders' approval:

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

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

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

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

During the year 2009, the cumulative of sales to, and purchase from, Aisin Group pursuant to the Sale and Purchase Agreement amounted to approximately RMB131,798,000 and approximately RMB92,388,000 respectively, which did not exceed the reported and announced annual caps of RMB200,000,000 and RMB150,000,000 for the year ended 31 December 2009 as approved by the independent shareholders.

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

Guangzhou Minhui, an indirect non-wholly owned subsidiary of the Company, entered into three technology services agreements with Sankei Giken, a wholly-owned subsidiary of Sankei Giken Holdings, (a connected person of the Company since February 2001 by way of its 30% shareholding in one of the Company's subsidiaries, Guangzhou Minhui) on 12 June 2002, 27 February 2004, and 1 March 2004, respectively (collectively, the "Technology Services Agreements"). Guangzhou Minhui also entered into three new technology services agreements with Sankei Giken on 17 July 2007 and 13 August 2008. Wuhan Minhui also entered into three new technology services agreements with Sankei Giken on 28 February 2006, 18 April 2006 and 1 February 2008 respectively (collectively, the "New Technology Services Agreements").

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

During the year 2009, the cumulative consideration for the above-mentioned transactions between the Group and Sankei Giken amounted to approximately RMB8,513,000, which did not exceed the reported and announced annual cap of RMB20,000,000 for the year ended 31 December 2009 as approved by the independent shareholders.

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

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

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

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

During the year 2009, the cumulative consideration for the above-mentioned transactions between the Group and FALTEC Group amounted to approximately RMB16,696,000, which did not exceed the reported and announced annual cap of RMB54,000,000 for the year ended 31 December 2009 as approved by the independent shareholders.

(d) Sales by the Group to FALTEC

The Company has, through its wholly-owned subsidiaries Minth Japan Co., Ltd. and Minth International Limited, entered into two sale and purchase agreements with FALTEC Corporation on 8 July 2008 and 26 January 2009 respectively, and another sale and purchase agreement through Jiaxing Xinghe with Foshan Altia on 10 December 2008 (respectively, the "Japan's FALTEC Sale and Purchase Agreements" and the "Domestic FALTEC Sale and Purchase Agreements", collectively, the "FALTEC Sale and Purchase Agreements") to govern the transactions between the Group and FALTEC Group in relation to the sale and purchase of automobile parts. The term of the Domestic FALTEC Sale and Purchase Agreements is fixed for a term commencing on 1 December 2008 and shall end on 31 December 2009, and shall be automatically renewed with the same terms for a further year ending 31 December 2010 subject to the Company's agreement and compliance with the Listing Rules. In respect of the Japan's FALTEC Sale and Purchase Agreements these are fixed for the period from 26 January 2009 to 31 December 2011 and from 8 July 2008 to 7 July 2011 respectively and each of them may be automatically renewed for a further year upon expiry subject to the Company's agreement and compliance with the Listing Rules.

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

During the year 2009, the cumulative transaction pursuant to the FALTEC Sale and Purchase Agreements amounted to approximately RMB9,986,000, which did not exceed the reported and announced annual cap of RMB10,000,000 for the year ended 31 December 2009.

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

Foshan Aisin, a connected person of the Company by way of being a subsidiary of Aisin (Tianjin). On 1 April 2009, the Company through its subsidiary Guangzhou Minrui entered into the agreement (Foshan Aisin Agreement) with Foshan Aisin. The term of the Foshan Aisin Agreement is three years and may be automatically renewed for one year upon expiry subject to compliance with the Listing Rules.

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

During the year 2009, the cumulative transaction pursuant to the Foshan Aisin Agreement amounted to approximately RMB14,379,000, which did not exceed the reported and announced annual cap of RMB18,000,000 for the year ended 31 December 2009.

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

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

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

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

During the year 2009, the cumulative purchases from AAPICO by the Group pursuant to the AAPICO Agreement amounted to approximately RMB5,298,000 and no sales to or provision of technical services by APPICO to the Group occurred, all of which did not exceed the reported and announced annual caps of RMB30,000,000, RMB9,700,000 and RMB300,000 in respect of sales to AAPICO, purchase from AAPICO and provision of technology services by AAPICO respectively for the year ended 31 December 2009.

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

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

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

During the year 2009, the cumulative sales to Newman pursuant to the Newman Agreement amounted to approximately USD1,556,000 and no purchase from Newman occurred, both of which therefore did not exceed the reported and announced annual caps of USD2,000,000 and USD250,000 in respect of sales to and purchase from Newman respectively for the year ended 31 December 2009.

The independent non-executive Directors reviewed the connected transaction and continuing connected transactions set out herein and in note 38 to the consolidated financial statements, and confirmed that, during the year ended 31 December 2009, such transactions were entered into:

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

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

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

The auditors of the Company also confirmed that the connected transaction and the continuing connected transactions:

(i) have been approved by the Board;

(ii) have been entered into in accordance with the pricing policies of the Group with reference to similar transactions with independent third parties;

(iii) have been entered into in accordance with the term of the relevant agreements governing the transactions; and

(iv) have not exceeded the relevant cap amount for the financial year ended 31 December 2009 as set out in the Company's previous announcements.

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

Remuneration Policy

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

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

Ms. Zheng Yu, our non-executive director who has agreed to waive her remuneration for the period from 1 January 2009 to 31 December 2009, will be receiving an annual salary of HK$180,000 for the year 2010 and thereafter pursuant to the terms of her appointment letter, which have previously been approved by the shareholders of the Company on 12 May 2008 as well as by the Company's remuneration committee.

The Company has adopted a Share Option Scheme as an incentive to Directors and eligible employees, details of the Share Option Scheme are set out on pages 22 to 24 of the annual report.

Sufficiency of Public Float

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

Compliance with the Code and Compliance with Model Code

None of the Directors is aware of any information that would reasonably indicate that the Company was not at any time during the period under review in compliance with the Code as set out in the Listing Rules.

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

Material Litigation and Arbitration

The Group did not engage in any litigation or arbitration of material importance during the year ended 31 December 2009.

Subsequent Event

The Company issued 97,000,000 shares through placing of existing shares and subscription for new shares on 8 April 2010, with net proceeds of the placing approximately HK$1,165,570,000. Details are set out in the announcement dated 8 April 2010.

Save as disclosed above, no significant events occurred since the balance sheet date which would have a material adverse impact on the financial position of the Company.

Pre-emptive Rights

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

Auditor

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

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

23 March 2010

Deloitte.
德勤

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

We have audited the consolidated financial statements of Minth Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 98, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the 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 of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
Turnover	6	**2,544,680**	1,966,464
Cost of sales		**(1,574,778)**	(1,253,111)
Gross profit		**969,902**	713,353
Interest income	7	**28,331**	37,053
Other income	8	**36,762**	66,545
Other gains and losses	9	**7,560**	(67,143)
Distribution and selling expenses		**(90,448)**	(54,718)
Administrative expenses		**(175,080)**	(146,523)
Research expenditure		**(102,392)**	(72,418)
Interest on borrowings wholly repayable within five years		**(1,881)**	(6,697)
Share of profits (losses) of jointly controlled entities	19	**7,837**	(24,585)
Share of profits of associates	20	**40,828**	30,055
Profit before tax		**721,419**	474,922
Income tax expense	10	**(62,724)**	(36,323)
Profit for the year	11	**658,695**	438,599
Attributable to:			
Owners of the Company		**621,442**	424,110
Minority interests		**37,253**	14,489
		658,695	438,599
Earnings per share	14		
Basic		**RMB0.650**	RMB0.444
Diluted		**RMB0.648**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Profit for the year	**658,695**	438,599
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**905**	(18,056)
Total comprehensive income for the year	**659,600**	420,543
Total comprehensive income attributable to:		
Owners of the Company	**621,580**	406,660
Minority interests	**38,020**	13,883
	659,600	420,543

Consolidated Statement of Financial Position

At 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	15	**1,078,348**	929,220
Prepaid lease payments	16	**175,784**	179,311
Goodwill	17	**15,276**	15,276
Other intangible assets	18	**18,130**	25,576
Interests in jointly controlled entities	19	**47,835**	49,140
Interests in associates	20	**96,643**	77,455
Loans to jointly controlled entities	23	**52,384**	68,539
Deferred tax assets	21	**14,557**	11,462
		1,498,957	1,355,979
Current assets			
Prepaid lease payments	16	**4,113**	3,926
Inventories	22	**400,461**	344,732
Loans to jointly controlled entities	23	**28,906**	32,453
Trade and other receivables	24	**764,341**	451,116
Tax recoverable		**–**	4,762
Other financial assets	26	**–**	40,119
Pledged bank deposits	27	**168,048**	44,432
Bank balances and cash	27	**1,964,985**	1,429,601
		3,330,854	2,351,141
Current liabilities			
Trade and other payables	28	**507,328**	294,903
Tax liabilities		**32,359**	13,435
Borrowings	29	**331,774**	41,387
		871,461	349,725
Net current assets		**2,459,393**	2,001,416
Total assets less current liabilities		**3,958,350**	3,357,395

Consolidated Statement of Financial Position

At 31 December 2009

	NOTE	2009 RMB'000	2008 RMB'000
Capital and reserves			
Share capital	30	**99,385**	98,414
Share premium and reserves		**3,736,467**	3,174,147
Equity attributable to owners of the Company		**3,835,852**	3,272,561
Minority interests		**111,331**	74,640
Total equity		**3,947,183**	3,347,201
Non-current liabilities			
Deferred tax liabilities	21	**11,167**	10,194
		11,167	10,194
		3,958,350	3,357,395

The consolidated financial statements on pages 35 to 98 were approved and authorised for issue by the Board of Directors on 23 March 2010 and are signed on its behalf by:

Shi Jian Hui	**Mu Wei Zhong**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve fund RMB'000	Enterprise expansion fund RMB'000	Exchange reserve RMB'000	Share options reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2008	98,410	1,883,080	276,199	27,239	89,995	11,159	(7,039)	13,264	565,262	2,957,569	39,066	2,996,635
Profit for the year	–	–	–	–	–	–	–	–	424,110	424,110	14,489	438,599
Other comprehensive income:												
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(17,450)	–	–	(17,450)	(606)	(18,056)
Total comprehensive income for the year	–	–	–	–	–	–	(17,450)	–	424,110	406,660	13,883	420,543
Sub-total	98,410	1,883,080	276,199	27,239	89,995	11,159	(24,489)	13,264	989,372	3,364,229	52,949	3,417,178
Recognition of share-based payments	–	–	–	–	–	–	–	10,928	–	10,928	–	10,928
Transfer to reserve fund	–	–	–	–	35	–	–	–	(35)	–	–	–
Dividends recognised as distribution *(note 13)*	–	–	–	–	–	–	–	–	(102,824)	(102,824)	–	(102,824)
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	21,691	21,691
Exercise of share options	4	262	–	–	–	–	–	(38)	–	228	–	228
Transfer to other reserve for share options forfeited after the vesting date	–	–	–	584	–	–	–	(584)	–	–	–	–

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve fund RMB'000	Enterprise expansion fund RMB'000	Exchange reserve RMB'000	Share options reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Minority interests RMB'000	Total RMB'000
At 31 December 2008	98,414	1,883,342	276,199	27,823	90,030	11,159	(24,489)	23,570	886,513	3,272,561	74,640	3,347,201
Profit for the year	–	–	–	–	–	–	–	–	621,442	621,442	37,253	658,695
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	138	–	–	138	767	905
Total comprehensive income for the year	–	–	–	–	–	–	138	–	621,442	621,580	38,020	659,600
Sub-total	98,410	1,883,080	276,199	27,239	89,995	11,159	(24,351)	23,750	1,507,955	3,894,141	112,660	4,006,801
Recognition of share-based payments	–	–	–	–	–	–	–	7,326	–	7,326	–	7,326
Transfer to reserve fund	–	–	–	–	4,261	–	–	–	(4,261)	–	–	–
Dividends recognised as distribution *(note 13)*	–	–	–	–	–	–	–	–	(126,883)	(126,883)	–	(126,883)
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	–	(8,101)	(8,101)
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	–	6,772	6,772
Exercise of share options	971	72,510	–	–	–	–	–	(12,213)	–	61,268	–	61,268
Transfer to other reserve for share options forfeited after the vesting date	–	–	–	949	–	–	–	(949)	–	–	–	–
At 31 December 2009	99,385	1,955,852	276,199	28,772	94,291	11,159	(24,351)	17,734	1,376,811	3,835,852	111,331	3,947,183

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	NOTE	2009 RMB'000	2008 RMB'000
Operating activities			
Profit before tax		**721,419**	474,922
Adjustments for:			
Finance costs		**1,881**	6,697
Interest income		**(28,331)**	(37,053)
Share of profits of associates		**(40,828)**	(30,055)
Unrealised profits arising from transactions with associates		**(29)**	(484)
Share of (profits) losses of jointly controlled entities		**(7,837)**	24,585
Unrealised profits arising from transactions with jointly controlled entities		**(58)**	(222)
Depreciation of property, plant and equipment		**90,557**	75,451
Amortisation of other intangible assets		**14,316**	7,097
Release of prepaid lease payments		**3,792**	3,053
Impairment loss recognised in respect of property, plant and equipment		**4,047**	–
Discount on acquisition of businesses	31	**(1,720)**	–
Share-based payment expense		**7,326**	10,928
Gain on fair value changes of financial assets designated at FVTPL		**(8,678)**	(17,853)
Gain on fair value changes of derivative financial assets		**(3,327)**	–
Loss on disposal of property, plant and equipment		**1,197**	485
Allowance for inventories		**14,259**	5,178
Allowance for bad and doubtful debts		**733**	25,683
Net foreign exchange (gains) losses		**(2,054)**	58,770
Operating cash flows before movements in working capital		**766,665**	607,182
Increase in inventories		**(63,522)**	(70,378)
Increase in trade and other receivables		**(307,701)**	(33,903)
Increase in trade and other payables		**203,030**	21,631
Cash generated from operations		**598,472**	524,532
Income taxes paid		**(41,160)**	(35,071)
Net cash from operating activities		**557,312**	489,461

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	NOTE	2009 RMB'000	2008 RMB'000
Investing activities			
Proceeds on redemption of other financial assets		**1,884,028**	584,680
Interest received		**27,872**	23,000
Dividends received from associates		**21,635**	35,378
Repayment from jointly controlled entities		**20,062**	2,380
Proceeds on disposal of property, plant and equipment		**2,156**	1,552
Investment in other financial assets		**(1,831,904)**	(40,000)
Purchases of property, plant and equipment		**(225,891)**	(207,909)
Increase in pledged bank deposits		**(123,616)**	(34,508)
Purchases of other intangible assets		**(6,870)**	(17,792)
Acquisition of businesses	31	**(6,040)**	–
Loans to jointly controlled entities		**(6,000)**	(71,388)
Prepaid rentals for lease premium for land		**(452)**	(16,041)
Proceeds on disposal of an associate		**–**	200
Addition of investment in an associate		**–**	(9,605)
Addition of investment in jointly controlled entities		**–**	(17,203)
Acquisition of assets, and assumption of liabilities through acquisition of subsidiaries	32	**–**	(32,462)
Loan to a third party		**–**	(10,000)
Repayment from a third party		**–**	10,000
Net cash (used in) from investing activities		**(245,020)**	200,282
Financing activities			
Repayment of bank loans		**(998,177)**	(701,156)
Dividends paid to owners of the Company		**(126,883)**	(102,824)
Dividends paid to minority shareholders of subsidiaries		**(9,473)**	–
Interest paid		**(1,881)**	(6,697)
New bank loans raised		**1,290,756**	638,367
Proceeds from exercise of share options		**61,268**	228
Capital contributions from minority shareholders of subsidiaries		**6,772**	21,691
Net cash from (used in) financing activities		**222,382**	(150,391)
Net increase in cash and cash equivalents		**534,674**	539,352
Cash and cash equivalents at beginning of the year		**1,429,601**	933,082
Effect of foreign exchange rate changes		**710**	(42,833)
Cash and cash equivalents at the end of the year		**1,964,985**	1,429,601
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**1,964,985**	1,429,601

1. General, Corporate Reorganisation and Basis of Preparation of Financial Statements

The Company was incorporated under the Company Law of the Cayman Islands on 22 June 2005 and registered as an exempted company with limited liability. Its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1 December 2005. The Company acts as an investment holding company with its subsidiaries (the "Group") engaged in the design, develop, manufacture, process and sales of automobile body parts and moulds. The principal activities of the Company's subsidiaries are set out in note 39.

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

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

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

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segments (see note 6).

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classificiation of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2010.
[4] Effective for annual periods beginning on or after 1 February 2010.
[5] Effective for annual periods beginning on or after 1 July 2010.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

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

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

Basis of consolidation

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

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

For business combination that involves more than one exchange transaction through successive share purchases, each exchange transaction is treated separately, using the cost of the transaction and fair value information at the date of each exchange transaction, to determine the amount of any goodwill associated with that transaction. The acquiree's net assets are stated at fair value at the date of acquisition when control is achieved. Any adjustment to those fair values relating to previously held interests of the Group is a revaluation and is credited to other reserve. This revaluation reserve will be recognised in the retained profits upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

If the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in other gains.

3. Significant Accounting Policies (Continued)

Acquisition of additional interests in subsidiaries

On acquisition of additional interests in subsidiaries, the excess of the cost of the acquisition over the fair values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited to goodwill, the difference between the cost of the acquisition and the goodwill on acquisition and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is charged directly to other reserve.

Goodwill

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

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

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

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill included within the carrying amount of the investment is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. Significant Accounting Policies (Continued)

Jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill included within the carrying amount of the investment is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recongised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Revenue recognition

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

Revenue from sale of goods is recognised when the goods are delivered and title has been passed.

Service income is recognised when services are provided.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress and freehold land over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

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

3. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Leasing

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

The Group as Lessor

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

The Group as Lessee

Operating leases payments are recognised as an expense on a straight line basis over the term of the relevant lease.

Prepaid lease payments

The up-front payments to acquire leasehold interest in land are accounted for as operating leases and are stated at cost and released over the lease term on a straight line basis.

Foreign currencies

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

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

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

Borrowing costs

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

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

3. Significant Accounting Policies (Continued)

Government grants

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

Retirement benefit costs

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

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. Significant Accounting Policies (Continued)

Intangible assets

Intangible assets acquired separately

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

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

Research expenditure

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

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

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

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

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

Inventories

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than financial assets and goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

3. Significant Accounting Policies (Continued)

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

4. Key Sources of Estimation Uncertainty

The following is the key assumption concerning the future, and other key source of estimation uncertainty at the end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of loans to jointly controlled entities

Impairment loss for loans to jointly controlled entities is made when there is objective evidence that the recoverability of the receivables becomes doubtful. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying amount of loans to jointly controlled entities is RMB81,290,000 (31 December 2008: RMB100,992,000). The directors of the Company are of the opinion that the loans to jointly controlled entities are still recoverable and no impairment is considered at the end of each reporting period.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss of trade receivables, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009, the carrying amount of trade receivable is RMB656,618,000 (net of allowance for doubtful debts of RMB2,853,000) (31 December 2008: carrying amount of RMB370,142,000, net of allowance for doubtful debts of RMB25,398,000).

Allowances for inventories

The management of the Group reviews the aging of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production nor saleable in the market. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items.

5. Financial Instruments

(a) Categories of financial instruments

	2009 RMB'000	2008 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,913,008**	1,979,259
Financial assets designated as at fair value through profit or loss	**–**	40,119
Financial liabilities		
Amortised cost	**817,360**	326,815

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, pledged bank deposits, loans to jointly controlled entities, borrowings, trade and other payables, and financial assets designated as at fair value through profit or loss. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Currency risk*

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

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

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

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

5. Financial Instruments (Continued)

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

Market risk (Continued)

(i) Currency risk (Continued)

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

	Liabilities		Assets	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
United States Dollars ("USD")	**236,145**	57,294	**240,727**	316,044
Euro ("EURO")	**124**	99	**13,591**	12,883
Japanese Yen ("JPY")	**103,010**	22,142	**3,225**	3,131
Hong Kong Dollars ("HKD")	**6,134**	3,287	**61,754**	306
	345,413	82,822	**319,297**	332,364

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

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% increase and decrease in functional currency against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where functional currency strengthens 5% (2008: 5%) against the relevant currency. A negative number indicates a decrease in post-tax profit. For a 5% (2008: 5%) weakening of functional currency against the relevant currency, there would be an equal and opposite impact on the post-tax profit.

	2009 RMB'000	2008 RMB'000
USD	**(199)**	(11,379)
EURO	**(586)**	(562)
JPY	**4,339**	836
HKD	**(2,418)**	131

5. Financial Instruments (Continued)

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

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan to a jointly controlled entity and bank borrowings (see notes 23 and 29).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, variable-rate borrowings and loans to jointly controlled entities (see notes 23, 27 and 29).

The Group has not entered into any interest rate hedging contracts. The management closely monitors such risks and will consider hedging significant interest rate risk exposure should the need arise. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

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

If interest rates on variable-rate bank balances had been 10 basis points higher/lower and all other variables were held constant, the Group's post-tax profit would increase/decrease approximately by RMB774,000 (2008: increase/decrease approximately by RMB400,000). If interest rates on loans to jointly controlled entities and borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit would decrease/increase approximately by RMB1,111,000 (2008: increase/decrease approximately by RMB40,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances, loans to jointly controlled entities and borrowings.

Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

5. Financial Instruments (Continued)

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

Credit risk (Continued)

The Group has concentration of credit risk on trade receivables and loans to jointly controlled entities. At 31 December 2009, the Group's ten largest customers accounted for approximately 56% (31 December 2008: 48%) of the total trade receivables. As at 31 December 2009, the Group's loans to jointly controlled entities were from the two jointly controlled entities of the Group. The management of the Group has entered into some credit insurance arrangements for these major customers with certain insurance institutions. The Group reviews recoverable amount of individual jointly controlled entity at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, if any. In these regards, the directors of the Company consider that the credit risk of the Group has been significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 86% (2008: 80%) of the total trade receivables as at 31 December 2009.

Liquidity risk

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity table

	Weighted average interest rate %	Within one to three months RMB'000	Three months to six months RMB'000	Six months to one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2009						
Non-derivative financial liabilities						
Trade and other payables	–	485,586	–	–	485,586	485,586
Borrowings	1.28	98,092	45,846	190,373	334,311	331,774
		583,678	45,846	190,373	819,897	817,360
2008						
Non-derivative financial liabilities						
Trade and other payables	–	285,428	–	–	285,428	285,428
Borrowings	2.75	380	380	41,499	42,259	41,387
		285,808	380	41,499	327,687	326,815

5. Financial Instruments (Continued)

(c) Fair value

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

The fair value of financial assets and financial liabilities carried at amortised cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of other financial assets (i.e. the structured deposits) and derivative instruments is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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

(d) Capital risk management

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

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

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

6. Segment Information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

6. Segment Information (Continued)

Segment revenues and results

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

For the year ended 31 December 2009

	PRC RMB'000	North America RMB'000	Europe RMB'000	Asia Pacific RMB'000	Consolidated RMB'000
Revenue					
External sales	2,152,322	176,889	70,084	145,385	2,544,680
Segment profit	810,606	68,973	32,894	56,696	969,169
Interest income					28,331
Other unallocated income					44,322
Unallocated expenses					(367,187)
Interest on borrowings wholly repayable within five years					(1,881)
Share of profits of jointly controlled entities					7,837
Share of profits of associates					40,828
Profit before tax					721,419
Income tax expense					(62,724)
Profit for the year					658,695

6. Segment Information (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2008

	PRC RMB'000	North America RMB'000	Europe RMB'000	Asia Pacific RMB'000	Consolidated RMB'000
Revenue					
External sales	1,580,252	135,045	83,095	168,072	1,966,464
Segment profit	573,164	23,165	28,545	57,618	682,492
Interest income					37,053
Other unallocated income					66,545
Unallocated expenses					(309,941)
Interest on bank borrowings wholly repayable within five years					(6,697)
Share of losses of jointly controlled entities					(24,585)
Share of profits of associates					30,055
Profit before tax					474,922
Income tax expense					(36,323)
Profit for the year					438,599

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the gross profit earned by each segment after adjusting impairment of trade receivables relating to its sales. This is the measure reported to the board of directors for the purposes of resource allocation and performance assessment.

6. Segment Information (Continued)

Segment assets and liabilities

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

Segment assets

	2009		2008	
	RMB'000	**%**	RMB'000	%
Trade and bill receivables				
The PRC	**577,042**	**12.0**	308,504	8.4
Asia Pacific	**33,568**	**0.7**	27,136	0.7
North America	**38,451**	**0.8**	26,474	0.7
Europe	**25,340**	**0.5**	25,890	0.7
Trade and bill receivables total	**674,401**	**14.0**	388,004	10.5
Unallocated assets	**4,155,410**	**86.0**	3,319,116	89.5
Total assets	**4,829,811**	**100.0**	3,707,120	100.0

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

Revenue from major product

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

Geographical information

The Group's operations are substantially located in the PRC and significantly all of non-current assets of the Group are located in the PRC. Therefore no further analysis of geographical information is presented.

Information about major customers

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

	For the year ended 31 December	
	2009	2008
	RMB'000	RMB'000
Customer A	**412,523**	317,588
Customer B	**289,329**	284,495

The customers above are located in the PRC.

7. Interest Income

	2009 RMB'000	2008 RMB'000
Interest on bank deposits	**25,826**	33,415
Interest on loan receivables	**2,505**	3,638
Total interest income	**28,331**	37,053

8. Other Income

	2009 RMB'000	2008 RMB'000
Government grants received (note)	**4,346**	44,789
Technology consulting income	**1,415**	1,176
Sales of scrap and raw materials	**11,642**	8,796
Rental income	**3,485**	2,736
Others	**15,874**	9,048
Total	**36,762**	66,545

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

9. Other Gains and Losses

	2009 RMB'000	2008 RMB'000
Net foreign exchange losses	**(188)**	(53,650)
Allowance for bad and doubtful debts	**(733)**	(25,683)
Impairment for property, plant and equipment (note 15)	**(4,047)**	–
Loss on disposal of property, plant and equipment	**(1,197)**	(485)
Change in fair value of derivative financial assets	**3,327**	–
Change in fair value of financial assets designated as at FVTPL	**8,678**	17,853
Discount on acquisition of business (note 31)	**1,720**	–
Others	**–**	(5,178)
Total	**7,560**	(67,143)

10. Income Tax Expense

	2009 RMB'000	2008 RMB'000
Current tax:		
Hong Kong	**7**	7
PRC Enterprise Income Tax	**60,450**	30,121
Other jurisdictions	**280**	530
Withholding tax paid	**6,881**	–
	67,618	30,658
(Over) under provision in prior years:		
PRC Enterprise Income Tax	**(2,772)**	(554)
Other jurisdictions	**–**	690
	(2,772)	136
Deferred tax (note 21)		
Current year	**(4,025)**	5,299
Attributable to a change in tax rate	**1,903**	230
	(2,122)	5,529
	62,724	36,323

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

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

10. Income Tax Expense (Continued)

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

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

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

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

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

Besides, pursuant to the approval of the local tax authority, one of the group entities located in Guangzhou Economic & Technology Development Zone is entitled to enjoy a preferential tax rate of 10% in 2008 and 2009.

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

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

10. Income Tax Expense (Continued)

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

	2009 RMB'000	2009 %	2008 RMB'000	2008 %
Profit before tax	**721,419**		474,922	
Tax at the applicable income tax rate of 25% (2008: 25%)	**180,355**	**25.0**	118,731	25.0
Tax effect of share of net profits of associates and jointly controlled entities	**(12,166)**	**(1.7)**	(1,368)	(0.3)
Tax effect of expenses not deductible for tax purpose	**8,645**	**1.2**	18,876	4.0
Tax effect of tax losses/deductible temporary differences not recognised as deferred tax assets	**6,081**	**0.8**	733	0.2
Tax effect of utilisation of tax losses/deductible temporary differences previously not recognised as deferred tax assets	**(582)**	**(0.1)**	(1,119)	(0.2)
Effect of tax concessions granted to PRC subsidiaries	**(121,255)**	**(16.8)**	(105,228)	(22.2)
Withholding income tax provision on dividends from PRC	**7,921**	**1.1**	7,353	1.5
Tax effect of different tax rates of subsidiaries	**(5,406)**	**(0.7)**	(2,021)	(0.4)
Decrease (increase) in opening deferred tax assets/liabilities resulting from a decrease/increase in applicable tax rate	**1,903**	**0.3**	230	–
(Over) under provision in respect of prior years	**(2,772)**	**(0.4)**	136	–
Tax charge and effective tax rate for the year	**62,724**	**8.7**	36,323	7.6

11. Profit for the Year

	2009 RMB'000	2008 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Cost of inventories as recognised (note 1)	**1,574,778**	1,253,111
Directors' remuneration (note 12)	**3,553**	3,421
Other staff's retirement benefits scheme contributions	**23,886**	8,852
Other staff's share-based payments	**6,537**	9,948
Other staff costs	**226,693**	174,331
Total staff costs	**260,669**	196,552
Less: Staff costs included in research expenditure	**(40,806)**	(23,418)
	219,863	173,134
Auditor's remuneration	**4,655**	4,172
Depreciation for property, plant and equipment	**90,557**	75,451
Less: Depreciation included in research expenditure	**(6,635)**	(7,157)
	83,922	68,294
Amortisation of other intangible assets (included in cost of sales, administrative expenses and research expenditure)	**14,316**	7,097
Release of prepaid lease payments	**3,792**	3,053
Operating lease rentals of buildings	**10,591**	5,926
Research expenditure (note 2)	**102,392**	72,418
Rental income	**(6,246)**	(4,683)
Less: Outgoings	**2,761**	1,947
	(3,485)	(2,736)

Notes:

1. Included in this amount is the allowance for inventories amounting to RMB14,259,000 (2008: RMB5,178,000).

2. The amount represents expenses incurred in the research phase for the design of new moulds of the Group.

12. Directors' and Employees' Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2008: eleven) directors were as follows:

		Others emoluments			
	Fees RMB'000	Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2009					
Executive directors:					
Chin Jong Hwa ("Mr. Chin")	–	–	–	–	–
Shi Jian Hui	–	730	313	62	1,105
Mu Wei Zhong	–	563	238	62	863
Zhao Feng	–	622	238	65	925
	–	1,915	789	189	2,893
Non-executive directors:					
Mikio Natsume	132	–	–	–	132
Tokio Kurita	132	–	–	–	132
Zheng Yu	–	–	–	–	–
	264	–	–	–	264
Independent non-executive directors:					
Wang Ching	132	–	–	–	132
Zhang Liren	132	–	–	–	132
Wu Fred (note 1)	132	–	–	–	132
	396	–	–	–	396

12. Directors' and Employees' Emoluments (Continued)

(a) Directors' emoluments (Continued)

	Fees RMB'000	Others emoluments: Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2008					
Executive directors:					
Mr. Chin	–	–	–	–	–
Shi Jian Hui	–	634	352	3	989
Mu Wei Zhong	–	508	314	3	825
Zhao Feng	–	462	314	4	780
	–	1,604	980	10	2,594
Non-executive directors:					
Mikio Natsume	134	–	–	–	134
Tokio Kurita	134	–	–	–	134
Zheng Yu	160	–	–	–	160
Shaw Sun Kan Gordan (note 2)	–	–	–	–	–
	428	–	–	–	428
Independent non-executive directors:					
Heng Kwoo Seng (note 3)	133	–	–	–	133
Wang Ching	133	–	–	–	133
Zhang Liren	133	–	–	–	133
	399	–	–	–	399

Notes:

(1) Appointed as an independent non-executive director of the Company with effect from 1 January 2009.

(2) Resigned as non-executive director of the Company with effect from 12 May 2008.

(3) Resigned as independent non-executive director of the Company with effect from 1 January 2009.

During the year ended 31 December 2009, two directors waived emoluments of RMB758,000 (2008: one director waived emoluments of RMB600,000).

12. Directors' and Employees' Emoluments (Continued)

(b) Employees' emoluments

During the year, the five highest paid individuals included three directors (2008: three directors), details of whose emoluments are set out above. The emoluments of the remaining two (2008: two) highest paid individuals were as follows:

	Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirements benefits scheme contributions RMB'000	Total RMB'000
2009	**1,384**	**182**	**62**	**1,628**
2008	1,024	526	–	1,550

Their emoluments were within HKD1,000,000 for the year ended 31 December 2009 and 2008.

13. Dividends

	2009 RMB'000	2008 RMB'000
Dividends recognised as distribution during the year:		
2008 Final – HK$0.151 (2008: 2007 final dividend HK$0.121) per share	**126,883**	102,824

The final dividend of HK$0.219 in respect of the year ended 31 December 2009 (2008: final dividend of HK$0.151 in respect of the year ended 31 December 2008) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

14. Earnings Per Share

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

	2009 **RMB'000**	2008 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**621,442**	424,110

	2009 **'000**	2008 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**956,241**	954,532
Effect of dilutive potential ordinary shares:		
Options	**2,963**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**959,204**	954,532

No dilutive earnings per share have been presented for the year ended 31 December 2008 because the exercise prices of the Company's options were higher than the average market price.

15. Property, Plant and Equipment

	Freehold lands RMB'000	Buildings RMB'000	Furniture and equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2008	6,792	346,934	44,960	5,265	20,466	498,272	52,887	975,576
Exchange adjustments	742	(46)	(38)	–	(19)	–	–	639
Additions	–	4,485	18,721	3,895	1,237	39,726	128,297	196,361
Acquired on acquisition of assets (note 32)	–	–	23	–	–	–	2,063	2,086
Disposals	–	–	(922)	(39)	(776)	(2,274)	(206)	(4,217)
Transfers	–	35,429	2,017	1,965	–	24,583	(63,994)	–
At 31 December 2008	7,534	386,802	64,761	11,086	20,908	560,307	119,047	1,170,445
Exchange adjustments	(142)	(115)	(1)	–	(5)	–	465	202
Additions	27,412	44,752	9,706	1,970	1,057	46,428	97,907	229,232
Acquired on acquisition of business (note 31)	–	–	1,462	610	161	15,390	19	17,642
Disposals	–	(23)	(587)	–	(632)	(5,129)	–	(6,371)
Transfers	6,674	48,779	2,539	1,015	–	65,291	(124,298)	–
At 31 December 2009	41,478	480,195	77,880	14,681	21,489	682,287	93,140	1,411,150
DEPRECIATION AND IMPAIRMENT								
At 1 January 2008	–	37,030	13,487	2,734	8,958	105,777	–	167,986
Exchange adjustments	–	(16)	(13)	–	(3)	–	–	(32)
Provided for the year	–	16,330	8,524	1,587	3,322	45,688	–	75,451
Eliminated on disposals	–	–	(666)	(11)	(451)	(1,052)	–	(2,180)
At 31 December 2008	–	53,344	21,332	4,310	11,826	150,413	–	241,225
Exchange adjustments	–	(5)	(1)	–	(3)	–	–	(9)
Provided for the year	–	18,871	10,456	2,258	2,757	56,215	–	90,557
Impairment loss recognised in profit or loss (note)	–	–	–	–	–	–	4,047	4,047
Eliminated on disposals	–	–	(460)	(249)	(201)	(2,108)	–	(3,018)
At 31 December 2009	–	72,210	31,327	6,319	14,379	204,520	4,047	332,802
CARRYING AMOUNT								
At 31 December 2009	41,478	407,985	46,553	8,362	7,110	477,767	89,093	1,078,348
At 31 December 2008	7,534	333,458	43,429	6,776	9,082	409,894	119,047	929,220

15. Property, Plant and Equipment (Continued)

The above items of property, plant and equipment other than construction in progress are depreciated on a straight line basis at the following rates per annum:

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

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

The Group has pledged freehold lands and buildings having a net book value of approximately RMB6,674,000 (31 December 2008: nil) to secure general banking facilities granted to the Group.

Note: An impairment loss amounting to RMB4,047,000 has been recognised in respect of certain equipment to the extent that the carrying amount exceeded the recoverable amount.

16. Prepaid Lease Payments

	2009 RMB'000	2008 RMB'000
Prepaid lease payments	179,897	183,237
Analysed for reporting purposes as:		
Current asset	4,113	3,926
Non-current asset	175,784	179,311
	179,897	183,237

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

17. Goodwill

	2009 RMB'000	2008 RMB'000
COST AND CARRYING VALUES		
At 31 December	15,276	15,276

The goodwill held by the Group as at 31 December 2009 arose on the acquisition of a subsidiary, Jiaxing Minrong Automotive Parts Co., Ltd. ("Jiaxing Minrong") in 2006 and on the acquisition of the remaining interest in Jiaxing Minrong in 2007. During the year ended 2007, Jiaxing Minrong became a branch of a principal subsidiary of the Group.

17. Goodwill (Continued)

Impairment test of goodwill

As at 31 December 2009, the carrying amount of goodwill allocated to the cash-generating unit of auto-parts manufacturing business of Jiaxing Minrong is RMB15,276,000 (2008: RMB15,276,000). The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses discounted cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 18.70% (2008: 15.54%) per annum.

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

18. Other Intangible Assets

	Patent RMB'000	**Technical know-how** RMB'000	**Total** RMB'000
COST			
At 1 January 2008	1,621	24,989	26,610
Additions	–	17,792	17,792
Written off	–	(152)	(152)
At 31 December 2008	1,621	42,629	44,250
Additions	–	6,870	6,870
At 31 December 2009	1,621	49,499	51,120
AMORTISATION			
At 1 January 2008	864	10,865	11,729
Charge for the year	324	6,773	7,097
Eliminated on written off	–	(152)	(152)
At 31 December 2008	1,188	17,486	18,674
Charge for the year	433	13,883	14,316
At 31 December 2009	1,621	31,369	32,990
CARRYING VALUES			
At 31 December 2009	–	18,130	18,130
At 31 December 2008	433	25,143	25,576

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

19. Interests in Jointly Controlled Entities

	2009 RMB'000	2008 RMB'000
Cost of unlisted investment in jointly controlled entities	**78,150**	90,228
Share of post-acquisition losses	**(27,712)**	(38,506)
Exchange difference	**(2,603)**	(2,582)
Interests in jointly controlled entities	**47,835**	49,140

As at 31 December 2009 and 31 December 2008, the Group had interests in the following significant jointly controlled entities:

Name of entities	Country of incorporation and operation	Attributable equity interest of the Group 2009 %	Attributable equity interest of the Group 2008 %	Paid-in capital	Principal activities
Jiaxing Kittel-Minth Automotive Parts Co., Ltd. (note)	PRC	**–**	50	US$3,000,000	Manufacture of automotive parts
Plastic Trim International, Inc. ("PTI")	United States of America ("USA")	**49.82**	49.82	US$16,700,000	Manufacture of plastic injection moulding and extrusion
Jiaxing Dura Minth Automotive Parts Co., Ltd.	PRC	**49**	49	US$5,000,000	Manufacture of automotive parts

Note: In 2008, the Group held a 50% of a jointly controlled entity named Constant Gain International Limited established in the British Virgin Islands, which has 100% entity interest in Jiaxing Kittel-Minth Automotive Parts Co., Ltd. On 30 June 2009, the Group acquired the remaining 50% interest of Constant Gain International Limited and its subsidiary for a consideration of RMB7,459,000 (note 31).

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

	2009 RMB'000	2008 RMB'000
Current assets	**132,748**	156,972
Non-current assets	**147,249**	164,409
Current liabilities	**129,320**	157,336
Non-current liabilities	**54,626**	65,511
Net Assets	**96,051**	98,534
Group's share of net assets	**47,835**	49,140

19. Interests in Jointly Controlled Entities (Continued)

	2009 RMB'000	2008 RMB'000
Revenue	**332,796**	454,846
Profits (losses) and total comprehensive income for the year	**15,917**	(49,274)
Group's Share of the profits (losses) for the year	**7,837**	(24,585)

20. Interests in Associates

	2009 RMB'000	2008 RMB'000
Cost of unlisted investment in associates	**43,473**	28,881
Share of post-acquisition profits, net of dividends received	**53,203**	48,574
Exchange difference	**(33)**	–
Share of net assets	**96,643**	77,455

As at 31 December 2009 and 2008, the Group had interests in the following associates:

Name of entities	Country of incorporation and operation	Attributable equity interest of the Group		Paid-in capital	Principal activities
		2009	2008		
Ningbo Automotive Parts Co., Ltd.	PRC	**48%**	48%	US$4,800,000	Manufacture of automotive parts
Guangzhou Automotive Parts Automotive Parts Co., Ltd. (note)	PRC	**49%**	48%	US$6,701,963	Manufacture of automotive parts

Note: The paid-in capital of the associate was US$2,500,000 as at 31 December 2008. On 3 August 2009, the accumulated profits amounting to US$2,136,000 (equivalent to RMB14,592,000) attibutable to the Group was capitalised by Guangzhou Automotive Parts Automotive Parts Co., Ltd., together with the capitalisation of another investor. Therefore, the interest shared by the Group is increased to 49% and the paid-in capital was increased to US$6,701,963.

20. Interests in Associates (Continued)

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

	2009 RMB'000	2008 RMB'000
Total assets	305,503	196,412
Total liabilities	106,127	35,048
Net assets	199,376	161,364
Group's share of net assets of associates	96,643	77,455

	2009 RMB'000	2008 RMB'000
Revenue	314,163	296,132
Profit and total comprehensive income for the year	84,789	58,695
Group's share of the associates' profits for the year	40,828	30,055

21. Deferred Taxation

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

Deferred tax assets:

	Allowance for doubtful debts RMB'000	Allowance for inventories RMB'000	Unrealised profit for inter-group transactions RMB'000	Temporary difference of expense RMB'000	Total RMB'000
At 1 January 2008	398	410	6,478	889	8,175
(Charge) credit to profit or loss	(290)	692	4,004	(889)	3,517
Effect of change in tax rate	(18)	(43)	(169)	–	(230)
At 31 December 2008	90	1,059	10,313	–	11,462
(Charge) credit to profit or loss	(4)	1,315	2,851	506	4,668
Effect of change in tax rate	–	(107)	(1,466)	–	(1,573)
At 31 December 2009	86	2,267	11,698	506	14,557

21. Deferred Taxation (Continued)

Deferred tax liabilities:

	Temporary difference of income RMB'000	Fair value adjustment on acquisition of prepaid lease payments RMB'000	Withholding tax on undistributed dividends RMB'000	Total RMB'000
At 1 January 2008	–	(1,378)	–	(1,378)
(Charge) credit to profit or loss	(1,500)	37	(7,353)	(8,816)
At 31 December 2008	(1,500)	(1,341)	(7,353)	(10,194)
(Charge) credit to profit or loss	367	30	(1,040)	(643)
Effect of change in tax rate	(330)	–	–	(330)
At 31 December 2009	(1,463)	(1,311)	(8,393)	(11,167)

At the end of the reporting period, the Group has unused tax losses of RMB25.4 million (2008: RMB3.4 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. RMB0.5 million (2008: RMB0.5 million) tax losses will expire in 2011, RMB0.6 million (2008: RMB2.9 million) tax losses will expire in 2013 and RMB24.3 million (2008: nil) tax losses will expire in 2014.

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

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not yet been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately RMB766,618,000 (2008: RMB351,255,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. Inventories

	2009 RMB'000	2008 RMB'000
Raw materials	**116,044**	81,601
Work in progress	**67,958**	89,650
Finished goods	**92,671**	48,224
Moulds	**123,788**	125,257
	400,461	344,732

23. Loans to Jointly Controlled Entities

	Maturity date	Effective interest rate	Carrying amount 2009 RMB'000	2008 RMB'000
Variable-rate loan receivable	6 June 2010/6 June 2009 (notes a and b)	0.5%/the United States Prime Rate+0.5%	**28,906**	29,274
Variable-rate loan receivable	five business days following written notice (notes c and d)	the United States Prime Rate-0.5%	**52,384**	68,539
Fixed-rate loan receivable	7 January 2009	6.0%	**–**	3,179
			81,290	100,992

	Carrying amount 2009 RMB'000	2008 RMB'000
Analysed as		
Current	**28,906**	32,453
Non-current	**52,384**	68,539
	81,290	100,992

Notes:

a. Included in the amount is the amount of interest receivables of approximately RMB501,000 (2008: RMB842,000).

b. During the year ended 31 December 2009, both the Group and the jointly controlled entity agreed to extend the maturity date of the amount from 6 June 2009 to 6 June 2010.

c. Included in the amount is the amount of interest receivables of approximately RMB1,172,000 (2008: RMB193,000).

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

Loans to jointly controlled entities are denominated in USD, the functional currency of the relevant group entity.

24. Trade and Other Receivables

	2009 RMB'000	2008 RMB'000
Trade receivables		
– associates	**20,105**	13,504
– jointly controlled entities	**7,744**	15,090
– connected parties	**32,675**	9,874
– third parties	**598,947**	357,072
Less: Allowance for doubtful debts	**(2,853)**	(25,398)
	656,618	370,142
Bill receivables	**17,783**	17,862
	674,401	388,004
Other receivables	**24,438**	16,384
Less: Allowance for doubtful debts	**(154)**	(154)
	698,685	404,234
Prepayments	**65,656**	46,882
Total trade and other receivables	**764,341**	451,116

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

	2009 RMB'000	2008 RMB'000
Age		
0 – 90 days	**656,358**	359,954
91 – 180 days	**11,612**	16,224
181 – 365 days	**5,710**	7,610
Over 1 year	**721**	4,216
	674,401	388,004

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. 95% (2008: 87%) of the trade receivables with high credit scoring under the internal credit control system are neither past due nor impaired.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB31,146,000 (2008: RMB18,501,000) which are past due at the end of reporting period. However, the directors of the Company have considered the credit quality of the relevant customers and concluded that the Group is not required to provide for impairment loss. The average age of these receivables is 138 days (2008: 207 days).

24. Trade and Other Receivables (Continued)

Ageing of trade receivables which are past due but not impaired

	2009 RMB'000	2008 RMB'000
Age		
0 – 90 days	**13,103**	3,184
91 – 180 days	**11,612**	5,173
181 – 365 days	**5,710**	6,257
1 – 2 years	**721**	3,887
	31,146	18,501

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

Movement in the allowance for doubtful debts

	2009 RMB'000	2008 RMB'000
1 January	**25,552**	2,253
Impairment losses recognised on receivables	**733**	25,683
Amounts written off as uncollectible	**(23,278)**	(2,384)
31 December	**3,007**	25,552

Included in the allowance for doubtful debts is impairment of RMB733,000 (2008: RMB25,683,000) recognised in respect of trade and other receivables on individual basis with an aggregate carrying amount of RMB 8,633,000(2008: RMB35,056,000) which the counterparties have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

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

Original currency	**USD** RMB'000	**JPY** RMB'000	**EURO** RMB'000	**HKD** RMB'000
At 31 December 2009	**44,368**	**768**	**6,195**	**27**
At 31 December 2008	72,839	6	12,344	30

25. Derivative Financial Assets

(a) Foreign exchange forward contracts

At 31 December 2009 and 2008, the Company had a number of outstanding foreign exchange forward contracts. No derivative financial asset has been recognised as at 31 December 2009 and 2008 as the fair values of the above foreign exchange forward contracts are minimal. These fair values of above foreign exchange forward contracts are measured in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

(b) Structured option contract

At 31 December 2009, the Company had one outstanding structured option contract regarding the US$ against RMB. The trade date of the structured option contract is 2 November 2009 and the maturity date is from 2 June 2010 to 2 November 2010. There are options embedded in the structured option contracts:

(i) On each maturity date, if the exchange rate of US$ against RMB is below 6.9, the Company could have the option to sell US$ 1,000,000 at the rate of 6.9;

(ii) On each maturity date, if the exchange rate of US$ against RMB is at or over 6.9, the Company has to sell US$1,000,000 at the rate of 6.9;

(iii) At any date during the period from the trade date to the each of the maturity dates, if the exchange rate of US$ against RMB is at or below 6.7, the option above of (i) will be terminated.

The fair value of the Company's structured option contract at 31 December 2009 was determined using the Garman-Kohlhagen model. No derivative financial asset/liability has been recognised as at 31 December 2009 as the fair value of the above structured option contract is minimal.

26. Other Financial Assets

	2009 **RMB'000**	2008 RMB'000
Financial assets designated as at fair value through profit or loss (FVTPL)	**–**	40,119

As at 31 December 2008, the Group had one outstanding contract of structured deposits with the Bank of East Asia for a period of one month. The entire contract was designated as financial assets at fair value through profit or losses on initial recognition. The significant terms and conditions relating to the financial assets as FVTPL were as follows:

Principal Protected 1 month Basket Linked RMB Medium Term Note.

Notional amount	**Issue date**	**Maturity date**	**Coupon**	**Interest rate**
RMB40,000,000	01/12/2008	05/01/2009	Not applicable	Note

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

The structured deposits were settled at RMB40,119,000 on 5 January 2009.

For the year ended 31 December 2009, the total fair value gain including interest income for the financial assets is RMB8,032,000 and has been credited to the consolidated income statement (2008: fair value gain of RMB17,853,000).

27. Bank Balances and Pledged Bank Deposits

Bank balances carry interest at market rates which range from 0.36% to 2.25% per annum (2008: 0.36% to 4.14%). The pledged deposits carry fixed interest rate of 2.25% per annum (2008: 2.52% and 4.14%). The pledged deposits will be released upon the settlement of relevant bank borrowings.

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

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

Original currency	**USD** RMB'000	**HKD** RMB'000	**EURO** RMB'000	**JPY** RMB'000
As at 31 December 2009	**196,359**	**61,727**	**7,396**	**2,457**
As at 31 December 2008	243,205	276	539	3,125

28. Trade and Other Payables

	2009 **RMB'000**	2008 RMB'000
Trade payables		
– associates	**24,956**	4,349
– jointly controlled entities	**3,071**	16,038
– connected parties	**19,765**	22,679
– third parties	**257,572**	133,762
	305,364	176,828
Payroll and welfare payables	**60,073**	27,008
Advance from customers	**21,742**	9,475
Consideration payable of acquisition of property, plant and equipment	**23,985**	20,644
Dividend payable to minority shareholders of subsidiaries	**–**	1,372
Technology support services fees payable	**22,473**	22,489
Marketing and administration services fees payable to a jointly controlled entity	**18,273**	5,878
Others	**55,418**	31,209
	507,328	294,903

The average credit period on purchases of goods is 45 days to 90 days. The Group has financial risk management policies in place to ensure that all payables will be settled within the credit timeframe.

28. Trade and Other Payables (Continued)

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

	2009 RMB'000	2008 RMB'000
Age		
0 to 90 days	**299,472**	169,708
91 to 180 days	**3,535**	5,407
181 to 365 days	**240**	179
1 – 2 years	**2,007**	917
Over 2 years	**110**	617
	305,364	176,828

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

Original currency	**USD** RMB'000	**JPY** RMB'000	**EURO** RMB'000	**HKD** RMB'000
As at 31 December 2009	**14,791**	**18,165**	**124**	**6,134**
As at 31 December 2008	23,121	14,928	99	3,287

29. Borrowings

	2009 RMB'000	2008 RMB'000
Bank loans	**315,406**	41,387
Other loans (note)	**16,368**	–
	331,774	41,387
Secured	**165,923**	34,173
Unsecured	**165,851**	7,214
	331,774	41,387
Fixed-rate borrowings	**47,710**	–
Variable-rate borrowings	**284,064**	41,387
	331,774	41,387
Carrying amount repayable:		
On demand or within one year	**331,774**	41,387

Note: The amount represented loans granted by a minority shareholder of a subsidiary through a bank.

29. Borrowings (Continued)

The Group has variable-rate borrowings which carry interest at the London InterBank Offered Rate and Singapore InterBank Offered Rate. Interest is repriced every one month or three months.

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

	2009 RMB'000	2008 RMB'000
Effective interest rate:		
Fixed-rate borrowings	**1.17% to 5%**	–
Variable-rate borrowings	**0.60% to 3.14%**	2.5% to 3.45%

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

Original currency	**USD** RMB'000	**JPY** RMB'000
As at 31 December 2009	**221,354**	**84,845**
As at 31 December 2008	34,173	7,214

30. Share Capital of the Company

	Number of shares		**Share capital**	
	2009 '000	2008 '000	**2009 HK$'000**	2008 HK$'000
Ordinary shares of HK$0.1 each				
Authorised				
At beginning and end of year	**5,000,000**	5,000,000	**500,000**	500,000

	Number of shares		**Share capital**	
	2009 '000	2008 '000	**2009 RMB'000**	2008 RMB'000
Issued and fully paid				
At beginning of year	**954,540**	954,500	**98,414**	98,410
Exercise of share options	**11,016**	40	**971**	4
At end of year	**965,556**	954,540	**99,385**	98,414

31. Acquisition of Businesses

On 30 June 2009, the Group acquired the remaining 50% interest of Constant Gain International Limited and its subsidiary, namely Jiaxing Kittel-Minth Automotive Parts Co., Ltd. (together referred as "Jiaxing Kittel") which was previously a 50% jointly controlled entity of the Group for a consideration of RMB7,459,000. After the acquisition, Jiaxing Kittel became an indirectly wholly owned subsidiary of the Company. The acquisition has been accounted for using the purchase method of accounting and an amount of RMB1,720,000, representing the discount on acquisition, has been recognised as income for the year ended 31 December 2009.

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

	Acquiree's carrying amount RMB'000
Net assets acquired:	
Property, plant and equipment	17,642
Inventories	6,466
Trade and other receivables	9,018
Bank balances and cash	1,419
Amount due to the Group	(8,761)
Trade and other payables	(7,426)
	18,358
Less: Interest in a jointly controlled entity	(9,179)
Discount on acquisition	(1,720)
Satisfied by:	
Cash	7,459
Net cash outflow arising on acquisition:	
Bank balances and cash acquired	1,419
Cash consideration paid	(7,459)
	(6,040)

The directors of the Company consider that the carrying amount of the acquired net assets upon the acquisition approximate to its fair value. The discount on acquisition represented the excess of net assets acquired over the consideration due to a bargain purchase. Jiaxing Kittel has no significant contribution to the Group's profit and cash flow for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2009, total group turnover and profit for the year ended 31 December 2009 would have been RMB2,566,591,000 and RMB660,431,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is intended to be a projection of future results.

32. Acquisition of Assets, and Assumption of Liabilities Through Acquisition of Subsidiaries

On 29 April 2008, the Group acquired 100% of the issued share capital of Talentlink Development (HK) Limited ("Talentlink") and its subsidiary, namely Huzhou Minhai Automotive Parts Co., Ltd., (together referred as to the "Talentlink Group") and Magic Figure Investments Limited ("Magic Figure") and its subsidiaries, namely Jiaxing Situ Automotive Parts Co., Ltd. and Jiaxing Guowei Automotive Parts Co., Ltd. (together referred as to the "Magic Figure Group"), from relatives of Mr. Chin, for a total consideration of RMB88,593,000, representing cash payment of RMB25,985,000 and settlement of outstanding other payables of acquiree prior to the acquisition of RMB62,608,000. These acquisitions were accounted for as acquisition of assets and assumption of liabilities as the acquired subsidiaries do not constitute to a business.

The net assets acquired in the transactions are as follows:

	Talentlink Group's carrying amount	Magic Figure Group's carrying amount	Elimination (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Net assets acquired:				
Property, plant and equipment	–	2,086	–	2,086
Prepaid lease payments	–	41,848	–	41,848
Other receivables	2,309	51,474	(53,774)	9
Bank balances and cash	53,495	2,636	–	56,131
Other payables	(52,103)	(75,760)	53,774	(74,089)
	3,701	22,284	–	25,985
Total consideration satisfied by:				
Cash				25,985
Settlement of other payables				62,608
				88,593
Net cash outflow arising on acquisitions:				
Cash consideration paid				(25,985)
Settlement of other payables				(62,608)
Bank balances and cash acquired				56,131
				(32,462)

Note: The amount represented current accounts between the Magic Figure Group and the Talentlink Group prior to the acquisition.

33. Major Non-Cash Transactions

During the year ended 31 December 2008, the Group capitalised a loan to a jointly controlled entity as investment in the entity amounting to US$4,160,000 (equivalent to RMB29,121,000).

34. Operating Leases

The Group as lessee

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

	2009 RMB'000	2008 RMB'000
Within one year	6,338	4,260
In the second to fifth year inclusive	2,169	4,190
	8,507	8,450

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

The Group as lessor

The Group rents out a part of its buildings under operating lease. Property rental income earned during the year was RMB6,246,000 (2008: RMB4,683,000).

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

	2009 RMB'000	2008 RMB'000
Within one year	7,100	3,045
In the second to fifth year inclusive	9,108	2,022
After five years	5,649	–
	21,857	5,067

35. Commitments

	2009 RMB'000	2008 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	50,107	76,994
Capital injection to associates	4,004	–
Capital expenditure in respect of prepaid rentals for lease premium for land, authorised but not contracted for:	25,484	–

36. Share-Based Payment Transactions

Equity-settled share option scheme:

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 13 November 2005 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 13 November 2015. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 December 2009, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 25,994,000 (2008: 39,065,000), representing 2.7% (2008: 4.1%) of the shares of the Company in issue at end of the reporting period. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors, or any of their respective associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

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

Details of specific categories of options are as follows:

Option type	**Date of grant**	**Vesting period**	**Exercise period**	**Exercise price** HK$	**Fair value at grant date** HK$
2007A	01/02/07	01/02/07 to 31/01/08	01/02/08 to 12/11/10	6.31	0.97
2007B	01/02/07	01/02/07 to 31/01/09	01/02/09 to 12/11/10	6.31	1.26
2008A	04/07/08	04/07/08 to 31/01/10	01/02/10 to 12/11/13	5.34	0.76
2008B	04/07/08	04/07/08 to 31/01/11	01/02/11 to 12/11/13	5.34	0.96

36. Share-Based Payment Transactions (Continued)

Equity-settled share option scheme: (Continued)

The following tables disclose movements of the Company's share options held by employees during the year ended 31 December 2009 and 2008:

Option type	Outstanding at 01/01/2009	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/2009
2007A	9,755,000	–	(5,508,000)	(880,000)	–	3,367,000
2007B	9,030,000	–	(5,508,000)	(155,000)	–	3,367,000
2008A	10,140,000	–	–	(510,000)	–	9,630,000
2008B	10,140,000	–	–	(510,000)	–	9,630,000
	39,065,000	–	(11,016,000)	(2,055,000)	–	25,994,000
Exercisable at the end of the year						6,734,000
Weighted average exercise price	HK$5.81	–	HK$6.31	HK$5.83	–	HK$5.59

Option type	Outstanding at 01/01/2008	Granted during the year	Exercised during the year	Forfeited during the year	Expired during the year	Outstanding at 31/12/2008
2007A	10,400,000	–	(40,000)	(605,000)	–	9,755,000
2007B	10,400,000	–	–	(1,370,000)	–	9,030,000
2008A	–	10,400,000	–	(260,000)	–	10,140,000
2008B	–	10,400,000	–	(260,000)	–	10,140,000
	20,800,000	20,800,000	(40,000)	(2,495,000)	–	39,065,000
Exercisable at the end of the year						9,755,000
Weighted average exercise price	HK$6.31	HK$5.34	HK$6.31	HK$6.04	–	HK$5.81

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$9.69 (2008: HK$7.80).

36. Share-Based Payment Transactions (Continued)

Equity-settled share option scheme: (Continued)

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

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

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

The Group recognised the total expense of RMB7,326,000 for the year ended 31 December 2009 (2008: RMB10,928,000) in relation to share options granted by the Company.

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

37. Retirement Benefits Scheme

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

During the year, the Group established a defined contribution plan. This pension scheme is managed by a third party insurance company in the PRC and the subsidiaries make contributions at their discretion to fund the benefits of such pension scheme. Contributions of RMB16,052,000 (2008: nil) made to such plan during the year were charged as an expense.

The total cost charged to profit or loss of RMB24,075,000 (2008: RMB8,862,000) represents contributions paid to these schemes by the Group in respect of the current accounting period.

38. Related Party Transactions and Connected Transactions

Saved as disclosed in note 23, note 24, note 28 and note 29, the Group has the following significant transactions with related/connected parties during the year:

Relationship with related/connected party	Nature of transactions	2009 RMB'000	2008 RMB'000
Jointly controlled entity, in which the Company has a 50% equity interest (note)	Sales of finished goods	**7,584**	18,395
	Purchase of raw materials	**13,372**	29,258
	Proceeds from disposal of property, plant and equipment	**–**	310
	Property rentals income	**578**	1,173
	Testing services charges	**–**	197
	Interest income	**141**	179
Jointly controlled entity, in which the Company has a 49% equity interest	Sales of finished goods	**13,912**	5,823
	Sales of raw materials	**342**	1,167
	Sales of moulds	**–**	1,688
	Purchases of raw materials	**86,749**	32,871
	Proceeds from disposal of property, plant and equipment	**2,371**	997
	Property rentals income	**1,760**	1,083
	Testing services income	**203**	28
	Testing services charges	**397**	–
Jointly controlled entity, in which the Company has a 49.82% equity interest	Sales of finished goods	**2,743**	15,658
	Sales of raw materials	**–**	430
	Purchase of raw materials	**20,342**	3,902
	Consulting service income	**2,732**	–
	Property rentals income	**624**	631
	Interest income	**2,363**	3,004
	Testing services charges	**–**	554
	Administration services charges	**8,423**	5,887
	Marketing services charges	**9,854**	–
Associate in which the Company has a 40% equity interest	Purchase of raw materials	**–**	16,748
Associates, in which the Company has a 49% equity interest	Sales of finished goods	**75,774**	64,832
	Sales of raw materials	**10,458**	9,020
	Purchase of raw materials	**18,104**	18,679
	Purchase of moulds	**16,542**	–
	Property rentals income	**1,249**	1,147
	Testing services charges	**187**	164
	Technology support services income	**233**	441
Minority shareholders of subsidiaries	Sales of finished goods	**166,787**	136,856
	Purchase of raw materials	**98,099**	122,166
	Technology support services charges	**21,239**	15,944
	Purchase of intangible assets	**3,558**	13,600
	Purchase of equipments	**992**	–
	Purchase of freehold land	**581**	5,701
Companies in which Mr. Chin has a joint control	Property rentals income	**–**	126

Note: As disclosed in note 31, on 30 June 2009, the Group acquired the remaining 50% interest of the jointly controlled entity, Jiaxing Kittel, which became an indirectly wholly owned subsidiary of the Company after the acquisition. Therefore, the related party transactions in this year represented the amounts conducted up to the date of acquisition.

38. Related Party Transactions and Connected Transactions (Continued)

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

The directors of the Company 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 year was as follows:

	2009 RMB'000	2008 RMB'000
Short-term benefits	4,798	4,459
Post-employment benefits	195	17
Share-based payments	1,696	2,352
	6,689	6,828

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

39. Subsidiaries

Details of the Company's subsidiaries as at 31 December 2009 and 31 December 2008 are as follows:

Name of subsidiary	Country of incorporation/ registration	Attributable equity interest of the Group 2009	Attributable equity interest of the Group 2008	Issued shares	Principal activities
Decade Industries Limited	British Virgin Islands	100%	100%	US$1	Investment holding
Forecast Industries Limited	British Virgin Islands	100%	100%	US$1	Investment holding
Mindway Holdings Limited	British Virgin Islands	100%	100%	US$1	Investment holding
Sinoone Holdings Limited	British Virgin Islands	100%	100%	US$1	Investment holding
Wealthfield Holdings Limited (Note i)	British Virgin Islands	100%	100%	US$1	Investment holding
Cheerplan Holdings Limited (Note i)	British Virgin Islands	100%	100%	US$1	Investment holding
Franshoke Investments Limited	British Virgin Islands	100%	100%	US$1	Investment holding
Enboma Investments Limited	British Virgin Islands	100%	100%	US$76,000,000	Investment holding

39. Subsidiaries (Continued)

Name of subsidiary	Country of incorporation/ registration	Attributable equity interest of the Group 2009	Attributable equity interest of the Group 2008	Issued shares	Principal activities
Magic Figure Investments Limited (Note ii)	British Virgin Islands	**100%**	100%	US$1	Investment holding
Constant Gain International Limited (Note vi)	British Virgin Islands	**100%**	50%	US$1	Investment holding
明炻投資有限公司 (Minth Investment Limited)	Hong Kong	**100%**	100%	HK$10,000	Investment holding
司諾(香港)有限公司 (Sinoone (HK) Limited)	Hong Kong	**100%**	100%	HK$10,000	Investment holding
時銘(香港)有限公司 (Decade (HK) Limited)	Hong Kong	**100%**	100%	HK$10,000	Investment holding
睿途(香港)有限公司 (Mindway (HK) Limited)	Hong Kong	**100%**	100%	HK$10,000	Investment holding
展圖(香港)有限公司 (Cheerplan (HK) Limited)	Hong Kong	**100%**	100%	HK$10,000	Investment holding
泰琳發展有限公司 (Talentlink Development (HK) Limited) (Note ii)	Hong Kong	**100%**	100%	HK$10,000	Investment holding
福州信泰汽車零部件有限公司 (Fuzhou Shintai Automotive Parts Co., Ltd.) ("Fuzhou Shintai")	PRC as a wholly-owned foreign investment enterprise ("WOFE")	**100%**	100%	US$1,050,000	Manufacture, process and sales of automobile body parts
重慶長泰汽車零部件有限公司 (Chongqing Changtai Automobile Spare Parts Co., Ltd.) ("Chongqing Changtai")	PRC as a WOFE	**100%**	100%	US$4,200,000	Manufacture and sales of automobile body parts
廣州敏惠汽車零部件有限公司 (Guangzhou Minhui Automobile Parts Co., Ltd.) ("Guangzhou Minhui")	PRC as a sino foreign equity joint venture enterprise	**70%**	70%	US$5,350,000	Manufacture, process and sales of automobile body parts
海南精瑞汽車零部件有限公司 (Hainan Jingrui Automotive Co., Ltd.) ("Hainan Jingrui")	PRC as a WOFE	**100%**	100%	US$1,000,000	Manufacture and sales of automobile body parts

39. Subsidiaries (Continued)

Name of subsidiary	Country of incorporation/ registration	Attributable equity interest of the Group 2009	Attributable equity interest of the Group 2008	Issued shares	Principal activities
嘉興敏惠汽車零部件有限公司 (Jiaxing Minhui Automotive Parts Co., Ltd.) ("Jiaxing Minhui")	PRC as a WOFE	100%	100%	US$23,510,000	Manufacture and sales of automobile body parts
寧波國鴻汽車零部件有限公司 (Ningbo Guohong Automotive Co., Ltd.) ("Ningbo Guohong")	PRC as a WOFE	100%	100%	US$4,800,000	Design, manufacture, develop and sales of automobile body parts
寧波信泰機械有限公司 (Ningbo Shintai Machines Co., Ltd.) ("Ningbo Shintai")	PRC as a WOFE	100%	100%	US$27,340,000	Design, manufacture, develop and sales of automobile body parts
天津信泰汽車零部件有限公司 (Tianjin Shintai Automotive Parts Co., Ltd.) ("Tianjin Shintai")	PRC as a sino foreign equity joint venture enterprise	80%	80%	US$2,530,000	Manufacture and sales of automobile body parts
廣州敏瑞汽車零部件有限公司 (Guangzhou Minrui Automobile Parts Co., Ltd.) ("Guangzhou Minrui")	PRC as a WOFE	100%	100%	US$8,000,000	Manufacture and sales of automobile body parts
武漢敏惠汽車零部件有限公司 (Wuhan Minhui Automobile Parts Co., Ltd.) ("Wuhan Minhui")	PRC as a WOFE	100%	100%	US$6,000,000	Manufacture and sales of automobile body parts
嘉興敏勝汽車零部件有限公司 (Jiaxing EL Triumph Automotive Parts Co., Ltd.) ("Jiaxing EL Triumph")	PRC as a WOFE	100%	100%	US$11,700,000	Manufacture and sales of automobile body parts
上海亞昊汽車產品設計有限公司 (Shanghai Cogen Research and Design Co., Ltd.) ("Shanghai Cogen")	PRC as a WOFE	100%	100%	US$600,000	Design of automobile exterior, interior decorative parts
重慶敏特汽車零部件有限公司 (Chongqing Minte Automobile Spare Parts Co., Ltd.) ("Chongqing Minte")	PRC as a WOFE	100%	100%	US$5,000,000	Manufacture and sales of automobile body parts
展圖(中國)投資有限公司 (Cheerplan (China) Investments Co., Ltd.)	PRC as a WOFE	100%	100%	US$30,000,000	Investment holding

39. Subsidiaries (Continued)

Name of subsidiary	Country of incorporation/ registration	Attributable equity interest of the Group 2009	Attributable equity interest of the Group 2008	Issued shares	Principal activities
嘉興興禾汽車零部件有限公司 (Jiaxing Xinghe Automotive Parts Co., Ltd.) ("Jiaxing Xinghe")	PRC as a sino foreign investment enterprise	**100%**	100%	US$8,000,000	Manufacture and sales of automobile body parts
寧波敏禾機械有限公司 (Ningbo Minhe Machines Co., Ltd.) ("Ningbo Minhe")	PRC as a WOFE	**100%**	100%	US$3,000,000	Design, manufacture, sales of automobile body parts
長春敏實汽車零部件有限公司 (Changchun Minth Automotive Parts Co., Ltd.) ("Changchun Minth")	PRC as a sino equity joint venture enterprise	**55%**	55%	US$1,400,000	Manufacture and sales of automobile body parts
PTI International, Inc. ("PTII") (Note iv)	USA	**100%**	100%	US$15,940,000	Research and marketing development
煙臺敏實汽車零部件有限公司 (Yantai Minth Automotive Parts Co., Ltd.) ("Yantai Minth") (Note v)	PRC as a WOFE	**100%**	100%	US$1,200,000	Manufacture and sales of automobile body parts
嘉興敏實機械有限公司 (Jiaxing Minth Machines Co., Ltd.) ("Jiaxing Minth")	PRC as a wholly-owned sino investment enterprise	**100%**	100%	US$25,000,000	Design, manufacture, develop and sales of automobile body parts
銘仕國際有限公司 (Minth International Limited)	Hong Kong	**100%**	100%	HK$4,000,000	Import and export trading, logistics, technology import, and investment holding
寧波敏實汽車零部件技術研發有限公司 (Ningbo Minth Automotive Parts Research & Development Co., Ltd.) ("Ningbo Minth") (Note vii)	PRC as a WOFE	**100%**	100%	US$26,500,000	Design, manufacture, import, export and consulting of stamping dies
嘉興信元精密模具科技有限公司 (Jiaxing Shinyou Mould Tech Co., Ltd.) ("Jiaxing Shinyou")	PRC as a WOFE	**100%**	100%	US$10,000,000	Design and manufacture of mould
嘉興敏橋汽車零部件有限公司 (Jiaxing Minth Hashimoto Automotive Parts Co., Ltd.) ("Jiaxing Minth Hashimoto")	PRC as a WOFE	**65%**	65%	US$8,000,000	Manufacture of automotive parts

39. Subsidiaries (Continued)

Name of subsidiary	Country of incorporation/ registration	Attributable equity interest of the Group 2009	Attributable equity interest of the Group 2008	Issued shares	Principal activities
Minth Japan 株式會社 (Minth Japan Co., Ltd.) ("Minth Japan")	Japan	100%	100%	JPY95,000,000	Act as an agent of sales of automobile body parts and purchase of raw materials
Minth Aapico (Thailand) Co., Ltd ("Minth Aapico") (Note iii)	Thailand	100%	100%	Baht178,500,000	Design, manufacture, develop and sales of automobile body parts
Minth Financial Limited (Note iii)	Hong Kong	100%	100%	HK$10,000	Bookkeeping service
寧波泰甬汽車零部件有限公司 (Ningbo Taiyong Automotive Parts Co., Ltd.) ("Ningbo Taiyong") (Note ii) & (Note ix)	PRC as a WOFE	100%	100%	US$32,000,000	Manufacture and sales of automobile body parts
嘉興思途汽車零部件有限公司 (Jiaxing Situ Automotive Parts Co., Ltd.) ("Jiaxing Situ") (Note ii)	PRC as a WOFE	100%	100%	US$8,000,000	Design, manufacture, develop and sales of automobile body parts
嘉興國威汽車零部件有限公司 (Jiaxing Guowei Automotive Parts Co., Ltd.) ("Jiaxing Guowei") (Note ii)	PRC as a WOFE	100%	100%	US$2,000,000	Design, manufacture, develop and sales of automobile body parts
嘉興敏凱汽車零部件有限公司 (Jiaxing Kittel-Minth Automotive Parts Co., Ltd.) ("Jiaxing Kittel-Minth") (Note vi)	PRC as a WOFE	100%	50%	US$5,000,000	Design, manufacture, develop and sales of automobile body parts
寧波市泰鋭貿易有限公司 (Note vi)	PRC as a WOFE	100%	50%	RMB5,000,000	Wholesale of materials of automobile spare parts
Minth Mexico, S.A. DE C.V. (Note viii)	Mexico as a WOFE	100%	–	Peso50,000	Design, manufacture, develop and sales of automobile body parts

39. Subsidiaries (Continued)

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

Note ii As disclosed in note 32, on 29 April 2008, the Group acquired the whole equity interest in Magic Figure Investments Limited and its subsidiaries Jiaxing Situ and Jiaxing Guowei and Talentlink Development (HK) Limited and its subsidiary Huzhou Minhai from the relatives of Mr. Chin at a total consideration of RMB88,593,000.

Note iii Newly established in 2008.

Note iv Changed the name from Minth North America to PTII in the year ended 31 December 2008.

Note v Changed the name from 嘉興振禾汽車零部件有限公司 (Jiaxing Zhenhe Automotive Parts Co., Ltd.) to 煙臺敏實汽車零部件有限公司 (Yantai Minth Automotive Parts Co., Ltd.) in the year ended 31 December 2008.

Note vi As disclosed in note 31, on 30 June 2009, the Group acquired the remaining 50% interest of Constant Gain International Limited and its subsidiary, namely Jiaxing Kittel-Minth Automotive Parts Co., Ltd. (together referred as "Jiaxing Kittel") which was previously a 50% jointly controlled entity of the Group.

Note vii Changed the name from 寧波信虹精密機械有限公司(Ningbo Xinhong Precious Machine Co., Ltd.) to 寧波敏實汽車零部件技術研發有限公司 (Ningbo Minth Automotive Parts Research & Development Co., Ltd.) during the year ended 31 December 2009.

Note viii Newly established in 2009.

Note ix Changed the name from 湖州敏海汽車零部件有限公司 (Huzhou Minhai Automotive Parts Co., Ltd.) to 寧波泰甬汽車零部件有限公司 (Ningbo Taiyong Automotive Parts Co., Ltd.) in the year ended 31 December 2009.

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