MINTH
敏實集團

MINTH GROUP LIMITED
敏 實 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 425)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS

- Turnover increased by approximately 29% to approximately RMB2,544.7 million (2008: RMB1,966.5 million).
- Gross profit increased by approximately 36% to approximately RMB969.9 million (2008: RMB713.4million).
- Net profit attributable to shareholders of the Company increased by approximately 47% to approximately RMB621.4 million (2008: RMB424.1million).
- Basic earnings per share increased to approximately RMB0.650 (2008: RMB0.444).
- Proposed final dividend of HKD0.219 per share (2008: HKD0.151).
- Capital expenditure decreased by approximately 12% to approximately RMB226.3 million (2008: RMB256.6 million).
- Consolidated net asset value increased by approximately 18% to approximately RMB3,947.2 million (2008: RMB3,347.2 million).

The board (the "Board") of directors (the "Directors") of Minth Group Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 (the "Review Period"), together with the comparative figures for the year ended 31 December 2008 which have been reviewed by the audit committee of the Company ("Audit Committee") as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	NOTES	2009 RMB'000	2008 RMB'000
Turnover	3	**2,544,680**	1,966,464
Cost of sales		**(1,574,778)**	(1,253,111)
Gross profit		**969,902**	713,353
Interest income		**28,331**	37,053
Other income		**36,762**	66,545
Other gains and losses		**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		**7,837**	(24,585)
Share of profits of associates		**40,828**	30,055
Profit before tax		**721,419**	474,922
Income tax expense	4	**(62,724)**	(36,323)
Profit for the year		**658,695**	438,599
Attributable to:			
Owners of the Company		**621,442**	424,110
Minority interests		**37,253**	14,489
	3	**658,695**	438,599
Dividends	5	**126,883**	102,824
Earnings per share	6		
Basic		**RMB0.650**	RMB0.444
Diluted		**RMB0.648**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	2009	2008
	RMB'000	*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		**1,078,348**	929,220
Prepaid lease payments		**175,784**	179,311
Goodwill		**15,276**	15,276
Other intangible assets		**18,130**	25,576
Interests in jointly controlled entities		**47,835**	49,140
Interests in associates		**96,643**	77,455
Loans to jointly controlled entities		**52,384**	68,539
Deferred tax assets		**14,557**	11,462
		1,498,957	1,355,979
Current assets			
Prepaid lease payments		**4,113**	3,926
Inventories	*7*	**400,461**	344,732
Loans to jointly controlled entities		**28,906**	32,453
Trade and other receivables	*8*	**764,341**	451,116
Tax recoverable		**–**	4,762
Other financial assets		**–**	40,119
Pledged bank deposits		**168,048**	44,432
Bank balances and cash		**1,964,985**	1,429,601
		3,330,854	2,351,141
Current liabilities			
Trade and other payables	*9*	**507,328**	294,903
Tax liabilities		**32,359**	13,435
Borrowings		**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

	2009	2008
	RMB'000	*RMB'000*
Capital and reserves		
Share capital	**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	**11,167**	10,194
	11,167	10,194
	3,958,350	3,357,395

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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 engaged in the design, develop, manufacture, process and sales of automobile body parts and moulds.

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.

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.

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)	Classification 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 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. 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.

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	North America	Europe	Asia Pacific	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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

For the year ended 31 December 2008

	PRC	North America	Europe	Asia Pacific	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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

4. INCOME TAX EXPENSE

	2009	2008
	RMB'000	*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		
Current year	**(4,025)**	5,299
Attributable to a change in tax rate	**1,903**	230
	(2,122)	5,529
	62,724	36,323

5. DIVIDENDS

	2009	2008
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2008 Final – HKD0.151 (2008: 2007 final dividend HKD0.121) per share	**126,883**	102,824

The final dividend of HKD0.219 in respect of the year ended 31 December 2009 (2008: final dividend of HKD0.151 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.

6. 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	2008
	RMB'000	*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	2008
	'000	*'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.

7. INVENTORIES

	2009	2008
	RMB'000	*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

8. TRADE AND OTHER RECEIVABLES

	2009	2008
	RMB'000	*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	2008
	RMB'000	*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

9. TRADE AND OTHER PAYABLES

	2009	2008
	RMB'000	*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.

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

	2009	2008
	RMB'000	*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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

After experiencing the challenges of the financial crisis in 2008, the ever record-breaking China passenger vehicle market had maintained its encouraging business atmosphere throughout 2009. As one of the industries recovered earliestly in China during the Review Period, 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 Review Period was approximately RMB122.93 billion, representing an increase of approximately 22.58% as compared with the same period in 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 Review Period, 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 Review Period, the Group seized the opportunities brought by the exponential surge of the China domestic market. While maintaining its core customers, it also developed new customers proactively in strengthening its domestic market position. Also, with the recovery of overseas markets, the Group had also achieved a moderate growth in exports. Internally, during the Review Period, 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 step by step by the Group. Hence, the Group was able to sustain encouraging results in out-performing its industry counterparts during the Review Period.

Business And Operation Layout

During the Review Period, the Group responded to the rapid rebound of the domestic market and gradual recovery of overseas markets from turmoil. Domestically, on one hand, it continued to strengthen the 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 availed the Group of an even larger domestic market share. Also, by increasing the sales to the Korean and American OEMs (“Original Equipment Manufacturer”) the Group was able to achieve the goal of diversifying the customer structure portfolio. With these efforts, the Group has obtained many new orders during the Review Period which would contribute substantially to the turnover in future years.

While, 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 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 the business in Europe. Furthermore, during the Review Period, another feature of global automotive industry was changed. Apart from the changes of business and customers 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 Review Period, the Group established Minth Mexico, S.A. DE C.V., a wholly-owned subsidiary incorporated in Mexico, thereby achieving the goal of having a presence in the Central and South American region. At the same time, the Group obtained strategic achievements such as MINTH AAPICO (Thailand) Co., Limited (the Group's joint venture in Thailand) going into stable operation and Plastic Trim International, Inc. (the Group's joint venture in North America) generation of 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 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 both in domestic and overseas markets.

Research and Development

During the Review Period, in order to reserve energy for the global development in future, the Group contributed tremendously in technological research and development ("R&D"). With the construction of two overseas design bases in North America and Japan which were gradually completed one after another, the Group's R&D teams is expected to become more and more internationalized and diversified. With the convergence of the advanced technology from such overseas design bases and low R&D costs derived from the domestic resources and talents, the Group may be in a better position in future market competition. During the Review Period, the Group secured various new projects with the help of R&D investment, and entered concurrent design systems of the global renowned automobile manufacturers such as Nissan and Toyota.

During the Review Period, the Group advanced 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 Review Period, the Group filed 33 patent applications for approval, and altogether 45 new cases were approved as patents during the Review Period.

Financial Review

Results

During the Review Period, 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.

In the Review Period, 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 Review Period, 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

In 2009, 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 Review Period, the Group's turnover from overseas markets was approximately RMB392,358,000, representing an increase of approximately 1.6% as compared to 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

The gross profit for the financial year ended 31 December 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 profit margin in 2009 was approximately 38.1%, an increase of 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 in 2009, 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 Review Period, 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 inventories and trade receivables, and approximately RMB30,861,000 allowance was provided. However, no such allowance was provided during the Review Period. Meanwhile, there was a significant appreciation of RMB against United States dollar ("USD") during 2008 but not in 2009. The Group has also emphasized on the risk control of foreign exchange rates which in turn resulted in the decrease of the exchange loss during the Review Period of approximately RMB53,462,000 from that in 2008.

Distribution and Selling Expenses

Distribution and selling expenses of the Group amounted to approximately RMB90,448,000 in 2009, 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 our overseas sales bases and increase in logistics expenses for overseas business development.

Administrative Expenses

Administrative expenses of the Group in the Review Period 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 in the Review Period 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 in the Review Period 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 have profit during the Review Period 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 in the Review Period, 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 profit 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 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 move to a 50% reduction tax period in 2009 from 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 in 2009, 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 RMB1,965 million, representing an increase of approximately RMB535 million when compared with approximately RMB1,430 million as at 31 December 2008. As at 31 December 2009, the Group's aggregate low-cost borrowing has 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 United States dollars ("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 mainly due to the fact that Group had taken into account the effect of overall management of capital structure, interest rate and exchange rate.

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 in 2009 were approximately 59 days, which remained at a similar level as 59 days in 2008.

Receivables turnover days in 2009 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 in 2009 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
	79,595

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 RMB221,354,000 denominated in USD and of 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 amounted to 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. This loan 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 RMB42,600,000 with maturity period of one year).

Capital Expenditure

During the Review Period, the Group's capital expenditure including investment in equipment, plant and property, construction in progress 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 Review Period, and appropriately reserved human resources at the end of the Review Period for future production capacity expansion.

During the Review Period, pursuant to its continuing stable human resources administration policy, the Group continued to provide employees with competitive remuneration and social benefits. Meanwhile, during the Review Period, 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 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.

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 Review Period, 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 Review Period 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 chance. The Group will seek investment projects suitable and beneficial in a more active manner in the future.

PRC policy environment

During the Review Period, 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 we will always be able to keep our vitality in future development, consolidate our advantageous position in domestic market, extend our influence in global markets, and gradually transform to become a global market leader from a newcomer.

PURCHASE, SALE OR REDEMPTION

Since the adoption of the Share Option Scheme and up to 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. 10,440,000 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.

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

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 Review Period 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 Review Period.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee was established by the Company to review and supervise the financial reporting process and internal control of the Group. The annual results of the Group for the year ended 31 December 2009 have been reviewed by the Audit Committee of the Company and approved by the Board for publication.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.219 per share to the shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company on 18 May 2010 and the proposed final dividend will be paid on or about 15 June 2010. The payment of dividends shall be subject to the approval of the shareholders at the forthcoming annual general meeting to be held on 18 May 2010 ("AGM").

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2009 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2009. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from 14 May 2010 to 18 May 2010 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the final proposed dividend and eligible for attending and voting at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Computershare Hong Kong Investor Services Limited located at Shop 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 pm on 13 May 2010. The final proposed dividend (the payment of which is subject to the Shareholders' approval at the AGM) is to be payable on or about 15 June 2010 to shareholders whose name appear on the register of members of the Company on 18 May 2010. The shares of the Company will trade ex-dividend on 12 May 2010.

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

Hong Kong, 23 March 2010

As at the date of this announcement, the board of directors comprises Mr. Chin Jong Hwa, Mr. Shi Jian Hui, Mr. Mu Wei Zhong and Mr. Zhao Feng, being executive Directors, Mr. Mikio Natsume, and Ms. Zheng Yu, being non-executive Directors; Mr. Wu Fred Fong, Dr. Wang Ching and Mr. Zhang Liren being independent non-executive Directors.