MINTH GROUP LIMITED
敏實集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 425

2019
Interim Report

CORE VALUES

- Integrity
- Teamwork
- Trust
- Embrace change

VISION

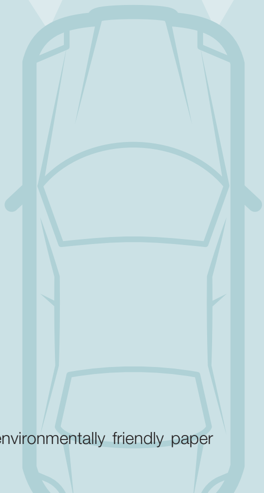
We create beauty in motion with intelligence

MISSION

Make automobiles lighter, prettier and more intelligent

TARGET

To be the top 60 global auto parts supplier in 2021



This interim report is printed on environmentally friendly paper

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* Should there be any discrepancy between the English and Chinese versions, the English version shall prevail.

CORPORATE INFORMATION

THE BOARD

Executive directors

Chin Jong Hwa *(Chairman, resigned as Chief Executive Officer on 21 August 2019)*
Zhao Feng
Chin Chien Ya
Huang Chiung Hui

Independent non-executive directors

Wang Ching
Wu Fred Fong
Yu Zheng

CHIEF EXECUTIVE OFFICER

Chen Bin Bo *(appointed on 21 August 2019)*

COMPANY SECRETARY

Yi Lei Li

REGISTERED OFFICE

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Cayman Islands

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Website: www.minthgroup.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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North Point, Hong Kong

PRINCIPAL BANKERS

Bank of China
Ningbo Development Zone sub-branch
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Ningbo Economic and Technological Development Zone
China

Citibank N.A.
Hong Kong Branch
44/F Citibank Tower
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Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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As to Cayman Islands Law
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Grand Cayman, British West Indies

STOCK CODE

SEHK Code: 0425

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the six months ended 30 June 2019 (the "Review Period"), the production and sales of China's passenger vehicles were approximately 9,978,000 units and approximately 10,127,000 units, respectively, representing a year-on-year decrease of approximately 15.8% and approximately 14.0%, respectively. China's automobile market was suffering a downturn, which was worse than the expectation at the start of the year. As to segment markets, the production and sales of sedans recorded relatively smaller declines of approximately 13.4% and approximately 12.9% respectively as compared to the same period in the previous year. SUV models recorded year-on-year decreases in production and sales of approximately 17.6% and approximately 13.4% respectively, and the production and sales of MPV models decreased by approximately 23.8% and approximately 24.0% respectively. In terms of market share during the Review Period, the Japanese and German brands witnessed significant growths, the Korean brands remained flat, while the American and French brands continued to decline as compared to the same period in the previous year. Chinese brands experienced the most severe decline in market share of approximately 3.9 percentage points as compared to the same period in the previous year. The competitiveness of SUV models of Chinese brands was particularly challenged. During the Review Period, new energy vehicles ("NEVs") bucked the trend of weak market, whose production and sales continued to witness remarkable growth, reaching approximately 614,000 units and approximately 617,000 units respectively, representing a year-on-year increase of approximately 48.5% and approximately 49.6% respectively.

According to LMC Automotive, global sales of light vehicles recorded a year-on-year drop of approximately 6.6% during the Review Period. Among mature markets, Japan recorded a slight growth in sales (excluding mini vehicles) while the US and European automotive markets both faced declines. The sales in the US market were approximately 8,432,000 units, registering a year-on-year decrease of approximately 2.1%, and the sales of passenger vehicles in the Western European market were approximately 8,184,000 units, representing a year-on-year decrease of approximately 3.1%. Among major emerging markets, Brazil and Thailand are the only two markets that achieved growth in sales, while all other markets including India, Mexico and Russia recorded further decline in sales. The sales of passenger vehicles in Brazil recorded a year-on-year increase of approximately 11.3% and the sales of light vehicles in Thailand recorded a year-on-year increase of approximately 6.7%. Conversely, the sales of passenger vehicles in India dropped by approximately 9.0% year-on-year, and the sales of light vehicles in Mexico and Russia dropped by approximately 6.4% and approximately 2.4% respectively year-on-year.

COMPANY OVERVIEW

Minth Group Limited (the "Company" or "Minth") together with its subsidiaries (collectively the "Group") is primarily engaged in the design, manufacture and sales of trims, decorative parts, body structural parts, roof racks and other related auto parts. The manufacturing bases of the Group are mainly located in China, the US, Mexico, Thailand and Germany, and the Group is building new production facilities in the UK and Serbia. With the support of technical centers in China, Germany, the US and Japan, the Group is able to provide services for major automotive markets across the globe, and meet the growing demand from its customers.

During the Review Period, according to the Top 100 Global OEM Parts Suppliers in 2019 published by Automotive News, the Group's ranking rose from the 92nd place in 2018 to the 86th place, reflecting a continuously improving market position.

During the Review Period, the Group started and promoted the implementation of the Minth Operation Excellence System ("MOS") (敏實卓越運營系統) in all of its manufacturing plants in China to establish the ability of self-improvement, accelerate the upgrading of the operation system of Minth, and use the cost management pillar to subdivide the goal of anti-waste into different operational processes. Meanwhile, the cost and loss model was further improved for the analysis of wastes and losses in the Group's operations and mature cost control practices and standards were applied to the Group's manufacturing execution system and the ERP framework. The Group focused on five major areas and enhanced its efforts in reducing waste through the use of ten technology pillars, thus providing a solid foundation for the Group's profitability. By continuously utilizing the assessment standards of MOS, the Group promoted communication and assessments among its operations in different regions and factories from seven perspectives including management, "environment/quality/safety", cost, human resources, production excellence, logistics and supply chain. As an important supporting point for the strategic development of the Group, MOS has been incorporated into the Group's assessment indices, which promoted the process of standardized operation of the Group to realize the standardization and integration of MOS globally.

Agile operation and quick response are the major goals of the Group's digitization in response to the fast changing market. During the Review Period, the Group initiated the launch of SAP project (SAP項目), supported by a professional consultancy team, to establish a global integrated information platform and lay a good foundation for the globalization and agile operation of the Group.

To further facilitate the Group's global strategy and layout of its products, realize leadership in technology, expedite the fostering of its global talent pool, and build core competitiveness of its products in the global markets, the Group has initiated the preparation in restructuring its product lines into four business units, including plastic products, aluminum products, metal and trim products and battery packs, aiming to improve operational efficiency of the Group.

During the Review Period, the Group continued to promote new products, new technologies and new materials to its customers. The research and development ("R&D") and sales teams liaised with customers on technical solutions, and pushed forward the business expansion for new products such as aluminum door frame, battery pack, emblem for adaptive cruise control system ("ACC emblem") and active grille shutter, and have successfully secured multiple orders. The expanded product lines laid a solid foundation for continuous growth in the Group's future revenue. The development of aluminum battery pack, aluminum door frame, innovative front face and ACC emblem proceeded smoothly and the first aluminum battery pack is almost ready for mass production. In addition, plastic tailgate, composite-material battery pack lid and door system have been put into R&D list of innovative products. Furthermore, through the application of advanced production technology, the upgrading of production model and the optimization of processing techniques, the competitive edges in cost and quality of traditional products of the Group were further improved for better customer coverage and product penetration.

In terms of the planning for Future Factory, the Group has commenced the planning of intelligent factories in Qingyuan, Jiaxing and Wuhan. Characterized with flexible production and intelligent and digital applications, the Group expects to promote comprehensive enhancement in terms of logistics, workshops, layout, production technology, production management and safety and environmental protection to construct a brand-new industrial ecology with intelligent manufacturing, environmental protection and humanistic care, building the Group as a benchmark in advanced manufacturing industry eventually.

While focusing on the development strategy during the Review Period, the Group was committed to developing and implementing comprehensive risk-oriented internal control system and attaching great importance to the ability to deal with external risks to exert more comprehensive and effective control over potential risks. In addition, the Group also further improved the corresponding system and abilities of preventing and combating bribery, and strengthened the cooperation with the police force. During the Review Period, in addition to the optimization of authorization procedure in accordance with the needs of organizational transformation, the Group reviewed the effectiveness of process control and continued to reinforce its risk control so that potential risks were controlled within reasonably acceptable tolerance levels. The Group always ensures that sufficient resources are allocated to reinforce its internal audit function and raise the effectiveness and normativeness of internal control function, and also continues to raise and supervise the overall risk management effectiveness of each functional department and operating unit, embedding risk management procedures to the daily operations and the core value chain of the Group. The Group made continuous improvement, particularly in areas such as procurement and supplier management, anti-fraud and compliance management, thus effectively safeguarding and promoting sustainable and steady development of the Group.

BUSINESS AND OPERATION LAYOUT

During the Review Period, the Group's revenue was approximately RMB6,130,044,000, representing an increase of approximately 2.3% as compared with approximately RMB5,992,596,000 in the same period in 2018. During the Review Period, the domestic revenue of the Group was approximately RMB3,399,444,000, representing a decrease of approximately 7.7% as compared with approximately RMB3,684,438,000 in the same period in 2018, mainly attributable to the general decline in the sales of passenger vehicles in China. The Group's overseas revenue was approximately RMB2,730,600,000, and grew by approximately 18.3% as compared with approximately RMB2,308,158,000 in the same period in 2018, mainly due to the growth of business with European OEMs in the global markets.

During the Review Period, the new business intake of the Group had a steady growth and we continued to make breakthroughs in all product segments, paving the way for the development of the product business units. Regarding metal and trim products, the Group continued R&D on new techniques and successfully promoted traditional trims with double inserts and multicolor trims among European OEM customers. Regarding plastic products, the Group sought to develop products that combined with aesthetic design and functionality, and successfully passed the demanding certification of all major Japanese OEMs in terms of emblems for millimeter wave radar, which helped to facilitate OEMs to realize automatic driving. In addition, the Group continued the development of plastic parts, such as active grille shutter and innovative front face, so as to prepare for more potential business opportunities. Regarding aluminum products, the Group continued to capitalize on its competitiveness and promote customer penetration, and secured new orders from a Korean OEM and various Chinese OEMs. Boosted by the worldwide electrification development of the automobile industry, the newly established battery pack business unit of the Group also recorded a satisfactory beginning. During the Review Period, the Group has entered strategic supplier system of the global electric vehicle platform of several OEMs, and secured new battery pack orders from European, Japanese and Chinese new energy vehicle OEMs.

During the Review Period, the Group finished the establishment of aluminum battery pack production lines in various locations in China, which were gradually ready for mass production. In order to fulfill the local supply requirements of its global customers, the Group initiated the construction of aluminum product facilities in Serbia, and constructed aluminum door frame production lines in the UK and planned such lines in the US as well, which further strengthened the Group's competitiveness globally and perfected the global layout of the Group's aluminium products. In addition, in response to the demand on the development and mass production of its products from worldwide customers and to improve its overall operational efficiency, the Group continued the forward-looking production planning of its major production facilities, and expanded and optimized the capacity based on the features of its major production facilities in China, Thailand, Mexico and the US.

During the Review Period, multiple factories of the Group won recognition and various outstanding supplier awards from its customers due to their excellent performance in product quality, technique, environmental protection and after sale services. During the Review Period, the Group focused on enhancing the profitability of its overseas factories by sending professional technical and management personnel to overseas factories to train local staff. During the Review Period, the Group increased the investment in its Mexican factories to increase its production capacity of aluminum extrusion process. The Group saw favourable achievements in the optimization of the anodizing production line, the technical improvement of anodizing process, the speed-up of extrusion line, equipment maintenance as well as safety and environmental protection in its Mexican factories, fulfilled the growing demand from its customers and the development requirements of its own. During the Review Period, the general efficiency and profitability of its Mexican factories increased significantly.

The industry was facing difficulties of higher tariff resulting from the Sino-US trade war during the Review Period. However, the Group managed to alleviate the negative effects by optimizing its globalized production layout and making quick response and countermeasures to changes. In addition, considering the development requirements of its global business, the Group adjusted and optimized its product development plans and production capacity, carried out integration plan and prioritized the optimization of the products under mass production to balance the production capacity among its worldwide production bases and mitigate the impact of tariff hike.

During the Review Period, the Group kept improving the management of environment, health and occupational safety ("EHS") using the EHS system, to achieve the goal of "green manufacturing with intelligence and healthy development". The Group unified deployment and deepened the safety management by all employees participating in safety inspection, focusing on the elimination of potential on-site risks and enhancing the safety awareness of employees to maintain a safe working environment. The Group further improved the treatment methods of sewage, emission and hazardous waste and reduced the discharge of pollutants. The Group implemented a strict management and control on pollutant treatment facilities, installed online pollutant monitoring system for real-time readings in order to ensure the disposal of pollutants in compliance with the applicable requirements. The Group paid more attention to its development and management on occupational health by strengthening the management of positions with occupational hazards and arranged occupational health check to ensure the well-being of its employees. Furthermore, the Group arranged fire and explosion prevention activities during the Review Period with trainings, exercises, drills, competitions and interacting with community and government to improve its overall ability of fire prevention, which further enhanced its overall EHS performance, thus ensuring its safe and healthy operation.

RESEARCH AND DEVELOPMENT

During the Review Period, the Group continued the research on innovative product and technology. In respect of product innovation, the Group had made significant progress in the development of products in terms of lightweight, intelligence and electrification. In particular, the Group saw remarkable development on the business of battery pack, and successfully secured new orders from various OEM customers during the Review Period. The Group witnessed smooth development in the global project of aluminum door frame. Based on the already secured projects of millimeter wave radar emblem and active grille shutter, the Group enhanced its independent R&D and marketing activities, and cooperated with customers on concurrent design. The Group also continued the R&D of plastic tailgate and lightweight door system, carried out comprehensive planning of patent acquirement of advanced technology, and conducted technical communication and business expansion with OEMs. In respect of production technology innovation, the Group reinforced the metal forming technology, polymer material forming technology and bonding technology in a comprehensive way. In particular, the Group prioritized the breakthroughs in core technology of battery pack and developed the latest production technology on its own to ensure the quality of mass produced battery packs, which helps the Group build its leading role in the development of the technologies of battery pack. The Group has also established a material R&D center to develop lightweight and high-strength aluminum products focusing on the R&D of aluminum structural materials through cooperating with well-known universities and technical experts in China and overseas to further improve its technical and innovative capabilities in processing aluminum materials and enhance the competitiveness of new products. The Group also determined the development direction of macromolecular materials and commenced the development of functional materials, composite materials and environmental-friendly materials. In respect of surface treatment technology, the Group further refined chrome plating, painting and anodizing techniques so as to improve the total product yield. Improvement was also made to reduce equipment operation and maintenance expenses to save energy and cost. To keep up with the trend of automotive intelligence and individualized applications, the Group proactively developed new surface treatment technology and sought to become a top international supplier in the field of auto parts' surface treatment technology and manufacture. In terms of organization of R&D, the Group integrated its innovative R&D resources in Europe, North America, Japan and China, gradually enhanced the global concurrent design capability of its Product Design Center, continued to assign personnel to overseas to provide on-site design services, and it also completed its global concurrent design network through master data management and product data management systems.

Placing great emphasis on protecting its intellectual property rights, the Group has obtained the certification of the intellectual property rights protection system and also actively applied for international patents. During the Review Period, the Group filed 91 patent applications, among which 4 applications are international PCT (Patent Cooperation Treaty) patents, and 68 patents were granted by competent authorities including one European international patent.

FINANCIAL REVIEW

	Six months ended 30 June 2019 RMB'000	Six months ended 30 June 2018 RMB'000
Revenue	**6,130,044**	5,992,596
Gross profit	**1,987,347**	2,004,108
Profit before tax	**1,085,132**	1,192,722
Income tax expense	**(151,587)**	(174,402)
Profit for the period attributable to:		
Owners of the Company	**894,123**	985,774
Non-controlling interests	**39,422**	32,546

RESULTS

During the Review Period, the Group's revenue was approximately RMB6,130,044,000, representing an increase of approximately 2.3% from approximately RMB5,992,596,000 in the same period of 2018. It was mainly driven by the continuous growth of business in Europe and North America while the business in China declined due to poor domestic market conditions of passenger vehicles.

During the Review Period, the profit attributable to owners of the Company was approximately RMB894,123,000, representing a decrease of approximately 9.3% from approximately RMB985,774,000 in the same period of 2018. It was mainly due to the increase in administrative expenses and research expenditures, as a result of continuously hiring international talents and senior R&D personnel, as well as R&D investment in new projects and the increase in share option expenses. In addition, the gross profit of the Group declined due to ASP decline of products for old models caused by the poor passenger vehicle market in China and higher tariffs imposed by the U.S..

SEGMENT REVENUE

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

Customer category	Six months ended 30 June 2019 RMB'000	%	Six months ended 30 June 2018 RMB'000	%
The PRC	**3,399,444**	**55.4**	3,684,438	61.5
North America	**1,346,562**	**22.0**	1,195,243	19.9
Europe	**1,114,901**	**18.2**	820,912	13.7
Asia Pacific	**269,137**	**4.4**	292,003	4.9
Total revenue	**6,130,044**	**100.0**	5,992,596	100.0

GROSS PROFIT

During the Review Period, the Group's overall gross profit margin was approximately 32.4%, representing a decrease of approximately 1.0% from approximately 33.4% in the same period of 2018. Such decrease was mainly due to the downturn of production and sales of passenger vehicles in China, which resulted in lower utilisation of production capacity of the Group, and the pressures resulting from ASP decline of products for old models and higher tariffs on China imposed by the U.S. faced by the Group during the Review Period. To address these, the Group further improved its production efficiency and production yield by adopting measures, such as lean production and technology upgrade, and reduced procurement costs, which resulted in the overall gross profit margin remaining at a decent level.

INVESTMENT INCOME

During the Review Period, the investment income of the Group was approximately RMB48,342,000, representing an increase of approximately RMB15,807,000 from approximately RMB32,535,000 in the same period of 2018. It was mainly due to the increase in interest income.

OTHER INCOME

During the Review Period, other income of the Group amounted to approximately RMB98,716,000, representing a decrease of approximately RMB5,365,000 from approximately RMB104,081,000 in the same period of 2018. It was mainly attributable to a decrease in government grants related to income.

OTHER GAINS AND LOSSES

During the Review Period, the Group's other gains and losses amounted to a net gain of approximately RMB49,971,000, representing an increase of approximately RMB23,829,000 as compared to the net gain of approximately RMB26,142,000 in the same period of 2018. It was mainly attributable to the increase in return on funds and settlement of fire insurance compensation during the Review Period.

DISTRIBUTION AND SELLING EXPENSES

During the Review Period, the Group's distribution and selling expenses were approximately RMB255,024,000, representing an increase of approximately RMB19,443,000 from approximately RMB235,581,000 in the same period of 2018. It accounted for approximately 4.2% of the Group's revenue, representing an increase of approximately 0.3% from approximately 3.9% in the same period of 2018. It was mainly attributable to the increase in storage expenses of overseas distribution warehouses in line with the business growth in overseas market during the Review Period.

ADMINISTRATIVE EXPENSES

During the Review Period, the administrative expenses of the Group amounted to approximately RMB457,771,000, representing an increase of approximately RMB40,006,000 from approximately RMB417,765,000 in the same period of 2018. It accounted for approximately 7.5% of the revenue of the Group, representing an increase of approximately 0.5% from approximately 7.0% in the same period of 2018. It was mainly attributable to the increase of share option expenses and an increase in labor costs as a result of recruitment of international talents by overseas subsidiaries during the Review Period.

RESEARCH EXPENDITURES

During the Review Period, the research expenditures of the Group amounted to approximately RMB298,545,000, representing an increase of approximately RMB38,325,000 from approximately RMB260,220,000 in the same period of 2018. It accounted for approximately 4.9% of the revenue of the Group, representing an increase of approximately 0.6% from approximately 4.3% in the same period of 2018. It was mainly attributable to an increase in labor costs arising from the Group's recruitment of high-level R&D personnel to enhance R&D capabilities to maintain its market competitiveness and sustainable development, as well as the increase in R&D investment in battery pack and other new projects.

SHARE OF LOSSES OF JOINT VENTURES

During the Review Period, the Group's share of losses of joint ventures was approximately RMB1,168,000, representing a decrease of approximately RMB1,812,000 from approximately RMB2,980,000 in the same period of 2018, which was mainly attributable to decreases in net losses from two joint ventures.

SHARE OF (LOSSES) PROFITS OF ASSOCIATES

During the Review Period, the Group's share of (losses) profits of associates amounted to a net loss of approximately RMB10,099,000, representing a decrease of approximately RMB14,811,000 from a net profit of approximately RMB4,712,000 in the same period of 2018. It was mainly attributable to the fact that a former associate became a non-wholly owned subsidiary during the Review Period.

INCOME TAX EXPENSE

During the Review Period, the Group's income tax expense was approximately RMB151,587,000, representing a decrease of approximately RMB22,815,000 from approximately RMB174,402,000 in the same period of 2018.

During the Review Period, the effective tax rate was approximately 14.0%, representing a decrease of approximately 0.6% from approximately 14.6% in the same period of 2018.

PROFITS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

During the Review Period, the Group's profits attributable to non-controlling interests were approximately RMB39,422,000, representing an increase of approximately RMB6,876,000 from approximately RMB32,546,000 in the same period of 2018. It was mainly attributable to the fact that a former associate became a non-wholly owned subsidiary during the Review Period.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2019, the Group's total bank balances and cash amounted to approximately RMB4,361,806,000, representing a decrease of approximately RMB160,064,000 as compared to approximately RMB4,521,870,000 as of 31 December 2018. As of 30 June 2019, the Group's low-cost borrowings amounted to approximately RMB3,834,840,000, among which the equivalent of approximately RMB1,835,318,000, approximately RMB1,273,100,000, approximately RMB571,735,000, approximately RMB96,712,000, approximately RMB40,552,000 and approximately RMB17,423,000 were denominated in USD, RMB, Euro ("EUR"), Thai Baht ("THB"), Hong Kong Dollar ("HKD") and Great Britain Pound respectively, representing a decrease of approximately RMB256,290,000 as compared to approximately RMB4,091,130,000 as of 31 December 2018. It was mainly the result of borrowings after considering the consolidated gains from exchange rates, interest rates and capital management by the Group.

During the Review Period, the net cash flow from the Group's operating activities was approximately RMB1,219,237,000, indicating a sound cash flow condition.

Trade receivables turnover days were approximately 86 days, which were 3 days longer than approximately 83 days for the same period of 2018. This was mainly due to the fact that proportional increase in the average balance of trade receivables was higher than revenue growth during the Review Period. The increase in the average balance of trade receivables was mainly due to the increase in the opening balance of trade receivables as compared to the same period of 2018 while the closing balance remained flat.

Trade payables turnover days were approximately 79 days, increased by approximately 5 days from approximately 74 days for the same period of 2018, which was mainly attributable to the changes in settlement methods towards the suppliers.

Inventory turnover days were approximately 86 days, extended by approximately 6 days from approximately 80 days for the same period of 2018, which was mainly attributable to an increase in work in progress arising from new projects under development, and an increase in inventories reserved for new projects.

The Group's current ratio was approximately 1.5 as of 30 June 2019, which was the same as approximately 1.5 as of 31 December 2018. As of 30 June 2019, the Group's gearing ratio was approximately 19.0% (31 December 2018: approximately 20.0%), which was a percentage based on the interest bearing borrowings divided by total assets.

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

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

COMMITMENTS

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	**317,170**	382,399

INTEREST RATE AND FOREIGN EXCHANGE RISKS

As of 30 June 2019, the balance of the Group's bank borrowings was approximately RMB3,834,840,000, of which RMB713,000,000 was bearing fixed interest rates, and approximately RMB3,121,840,000 was bearing floating interest rates. These borrowings had no seasonality features. In addition, approximately RMB1,897,629,000 of the borrowings was denominated in currencies other than the functional currencies of the Group's related entities, of which the equivalent of approximately RMB1,285,342,000, approximately RMB571,735,000 and approximately RMB40,552,000 were denominated in USD, EUR and HKD respectively.

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

As of 30 June 2019, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB386,725,000, of which approximately RMB296,530,000 was denominated in USD, approximately RMB61,699,000 was denominated in EUR, approximately RMB14,898,000 was denominated in Mexico Peso ("MXN"), approximately RMB7,910,000 was denominated in Japanese Yen ("JPY"), approximately RMB5,628,000 was denominated in HKD, the remainder of approximately RMB60,000 was denominated in other foreign currencies. In order to mitigate the foreign exchange risks, the Group has delegated a team responsible for the planning of related work.

As a result of the constant expansion of overseas sales and the drastic fluctuation in the currency market, the management of the Group expressed great concerns on the foreign exchange risks, and would take the exchange rate expectations of relevant currencies into full consideration when deciding the billing currency for relevant businesses, closely monitor the foreign exchange exposure and adjust the control strategy on a timely basis. The Group entered into forward exchange contracts to manage and control foreign exchange risks.

CONTINGENT LIABILITIES

As of 30 June 2019, the Group had no contingent liabilities (31 December 2018: Nil).

MORTGAGED ASSETS

As of 30 June 2019, the Group had borrowings of RMB200,000,000 and issued bill payables of approximately RMB250,317,000 due within 6 months, which were pledged by bill receivables with par value of approximately RMB266,778,000, and bank deposits of USD9,000,000 and RMB6,750,000. The borrowings are to be settled in RMB (31 December 2018: the Group had borrowings of RMB150,000,000 and issued bill payables of approximately RMB201,906,000 due within 8 months, which were pledged by bill receivables with par value of approximately RMB203,283,000, bank deposits of USD5,500,000 and RMB12,000,000. The borrowings are to be settled in RMB).

CAPITAL EXPENDITURE

Capital expenditure includes the acquisition of property, plant and equipment, the increase in construction in progress and the addition of land use rights. During the Review Period, the Group's capital expenditure amounted to approximately RMB746,332,000 (the same period in 2018: approximately RMB1,119,706,000), which was attributable to the fact that, with the aim to promote lean production and maximize profitability, the Group further increased its R&D input and expanded production capacity for new products segments, while rationally controlled its investments in fixed assets for traditional products to keep up with the asset-light guidelines, in order to mitigate the adverse impacts of Chinese passenger vehicle market on the Group's capacity utilisation.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the Review Period.

EMPLOYEES

As of 30 June 2019, the Group had a total of 16,878 employees, decreased by 1,513 as compared to that as of 31 December 2018. The decrease was mainly due to the optimization of the Group's organization, the promotion of automation and technology upgrade, the improvement of staff efficiency and the enhancement of digitization. During the Review Period, based on its core values, the Group advocated a "caring and demanding" culture that promotes the sustainable development of enterprises and society as well as a humane idea of "overall wellness" based on love. The Group released the Blue Book of Minth Group in order to promote its core values and code of conduct, and it further popularized corporate culture consensus camps and cross-cultural communication trainings to help its employees consistently cognize and practice the Group's core values and code of conduct as well as identify with corporate culture. The Group carried out extensive workshops on "overall wellness" internally, publicized the concept and promoted various projects in relation to "overall wellness", and conducted trainings on interpersonal skills to enhance employees' competitiveness in the workplace. At the same time, the Group extensively organized camps for couples, teenagers and children to enhance the overall wellness and happiness of its employees' families.

The Group further probed into its organizational structure in order to promote its strategic global layout, achieve technology leadership, deepen sustainable development and build core competitiveness of its products in the global market. The Group also established the Mould Center to enhance its mould design and manufacturing capabilities, and initiated the construction of plants and recruitment of talents in Serbia and the UK as well as provided more comprehensive support and culture adaption trainings for regions with international talent flows to accelerate its overseas expansion. The Group continued to cultivate its international talents and core talents by launching general manager project for overseas plants and providing trainings to potential talents at senior positions, with international backgrounds or with key technical expertise.

Remuneration offered by the Group was determined in accordance with the relevant policies in Hong Kong, the PRC and overseas and with reference to market trends, as well as individual competence and performance of the staff. Other related benefits and contributions, for instance, mandatory provident funds, social insurance funds, medical insurance funds and other applicable contributions were made in accordance with relevant laws and regulations.

The Group precisely set its organizational targets and performance management according to its strategic positioning and core values, initiated a process performance management for individual employees, and conducted performance management informationization for employees in the production system based on the Group's Manufacturing Execution System, thereby fully supporting the achievement of performance targets for the Group. In terms of talent acquisition, the Group continued to strengthen its brand building as employer and open up new recruitment channels and methods. The Group also enhanced its support for new business and overseas regions by selecting and training professionals with high potentials, providing continuous driving force for business development. The Group continued to promote the establishment of new production facilities in Serbia, allocated its core strengths and resources to accelerate the enhancement of operations of its overseas plants, and initially completed the transformation and upgrading of its customer-oriented business project management. While continuing to create an atmosphere which is friendly for international talent flows, the Group helped its overseas companies improve the development capabilities of their organizations and talents through talent training programs, cultural consensus, cross-cultural management and organizational development projects. The Group also continued to optimize and upgrade its global talent development system to meet the needs of business development for the Group and build a core talent supply chain and talent pool.

DIRECTORS

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

Executive Directors

Chin Jong Hwa *(Chairman, resigned as Chief Executive Officer on 21 August 2019)*
Zhao Feng
Chin Chien Ya
Huang Chiung Hui

Independent Non-executive Directors

Wang Ching
Wu Fred Fong
Yu Zheng

SHARE OPTION SCHEME

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

All Directors and employees of the Group, and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, services providers of any member of the Group whom the Board considers, in its sole discretion, have contributed or will contribute to the Group are eligible to participate in the 2012 Share Option Scheme.

The 2012 Share Option Scheme will remain in force for a period of 10 years after the date on which the scheme was adopted.

The total number of shares of the Company ("Shares") which may be allotted and issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 10% ("General Scheme Limit") of the Shares in issue on 22 May 2012, the date on which the Company adopted the 2012 Share Option Scheme, was 107,704,500 Shares. The Company may renew the General Scheme Limit with the approval of the shareholders of the Company (the "Shareholders"), provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the Shareholders' approval.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2012 Share Option Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the Shares in issue from time to time.

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted under the 2012 Share Option Scheme and any other share option schemes of the Company (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

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

An option may be exercised in accordance with the terms of the 2012 Share Option Scheme and any other share option schemes adopted by the Company at any time during the period to be determined and notified by the Board to each grantee at the time of making an offer of the grant of an option which shall not expire later than 10 years from the date of grant of the option.

The subscription price for the Shares under the 2012 Share Option Scheme and any other share option schemes adopted by the Company will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the daily quotations sheets issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the offer of grant; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

As at the date of this report, the number of Share Options that could still be granted under the 2012 Share Option Scheme was 47,064,000 Share Options, representing approximately 4.10% of the 1,148,990,000 Shares in issue by the Company as at 21 August 2019, being the date of this report. Details are as follows:

	Number of Share Options (Note 1)								
Name and category of participants	Outstanding as at 1 January 2019	Granted during the Review Period	Exercised during the Review Period	Cancelled/ Lapsed during the Review Period	Outstanding as at 30 June 2019	Date of grant (Note 4)	Exercise period (Note 5)	Exercise price of the Share Options (HKD) (Note 6)	Weighted average closing price of Shares immediately before the date(s) on which Share Options were exercised (HKD)
Directors, chief executives, and substantial Shareholders and their respective associates									
Mr. Zhao Feng	500,000	–	–	–	500,000	25-3-2015	1-1-2016 to 31-12-2020	14.08	N/A
	500,000	–	–	–	500,000	10-4-2018	1-4-2019 to 31-12-2023	37.60	N/A
Ms. Chin Chien Ya (Note 2)	100,000		–	–	100,000	10-4-2018	1-4-2019 to 31-12-2023	37.60	N/A
Ms. Huang Chiung Hui	1,000,000	–	–	–	1,000,000	25-3-2015	1-1-2016 to 31-12-2020	14.08	N/A
	500,000	–	–	–	500,000	10-4-2018	1-4-2019 to 31-12-2023	37.60	N/A
Mr. Wu Fred Fong	140,000	–	–	–	140,000	25-3-2015	1-1-2016 to 31-12-2020	14.08	N/A
	100,000	–	–	–	100,000	10-4-2018	1-4-2019 to 31-12-2023	37.60	N/A
Dr. Wang Ching	80,000	–	–	–	80,000	25-3-2015	1-1-2016 to 31-12-2020	14.08	N/A
	100,000	–	–	–	100,000	10-4-2018	1-4-2019 to 31-12-2023	37.60	N/A

Name and category of participants	Outstanding as at 1 January 2019	Granted during the Review Period	Exercised during the Review Period	Cancelled/ Lapsed during the Review Period	Outstanding as at 30 June 2019	Date of grant (Note 4)	Exercise period (Note 5)	Exercise price of the Share Options (HKD) (Note 6)	Weighted average closing price of Shares immediately before the date(s) on which Share Options were exercised (HKD)
	Number of Share Options (Note 1)								
Ms. Yu Zheng	200,000	–	–	–	200,000	25-3-2015	1-1-2016 to 31-12-2020	14.08	N/A
	100,000	–	–	–	100,000	10-4-2018	1-4-2019 to 31-12-2023	37.60	N/A
Mr. Bau Hsin Hong (Note 3)	350,000	–	350,000	–	–	16-1-2014	1-6-2014 to 31-5-2019	15.84	24.68
	180,000	–	–	–	180,000	25-3-2015	1-1-2016 to 31-12-2020	14.08	N/A
	120,000	–	–	–	120,000	10-4-2018	1-4-2019 to 31-12-2023	37.60	N/A
Subtotal	3,970,000	–	350,000	–	3,620,000				
Other Participants									
	1,611,500	–	1,611,500	–	–	16-1-2014	1-6-2014 to 31-5-2019	15.84	25.08
	9,322,500	–	776,000	114,000	8,432,500	25-3-2015	1-1-2016 to 31-12-2020	14.08	27.30
	23,480,000	–	–	1,925,000	21,555,000	10-4-2018	1-4-2019 to 31-12-2023	37.60	N/A
Subtotal	34,414,000	–	2,387,500	2,039,000	29,987,500				
Total	38,384,000	–	2,737,500	2,039,000	33,607,500				

Note 1: Numbers of Shares over which options granted under the 2012 Share Option Scheme are exercisable.

Note 2: The daughter of Mr. Chin Jong Hwa ("Mr. Chin"), and an executive Director of the Company.

Note 3: Spouse of Ms. Huang Chiung Hui ("Ms. Huang"), and special assistant to the Chairman of the Company.

Note 4: The closing price of the Shares immediately before the date on which the Share Options were granted pursuant to the 2012 Share Option Scheme on (i) 16 January 2014, i.e. on 15 January 2014 was HKD16.00, (ii) 25 March 2015, i.e. on 24 March 2015 was HKD14.02, and (iii) 10 April 2018, i.e. on 9 April 2018 was HKD37.65.

Note 5: The option period for the Share Options granted on 16 January 2014 is five years four months and fifteen days. If the grantees' period of service within the Company is or more than one year as of 1 June 2014, the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 1 June 2014; (ii) up to a further 30% of the Share Options granted on or after 1 June 2015; and (iii) all of the remaining Share Options granted on or after 1 June 2016. If the grantees' period of service within the Company is less than one year as of 1 June 2014, the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 1 June 2015; (ii) up to a further 30% of the Share Options granted on or after 1 June 2016; and (iii) all of the remaining Share Options granted on or after 1 June 2017. The option period for the Share Options granted on 25 March 2015 is five years nine months and six days and the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 1 January 2016; (ii) up to a further 30% of the Share Options granted on or after 1 January 2017; and (iii) all of the remaining Share Options granted on or after 1 January 2018. The option period for the Share Options granted on 10 April 2018 is five years eight months and twenty-one days and the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 1 April 2019; (ii) up to a further 30% of the Share Options granted on or after 1 April 2020; and (iii) all of the remaining Share Options granted on or after 1 April 2021.

Note 6: The exercise price of the Share Options is subject to adjustment in the case of rights or bonus issues, or other similar changes.

During the Review Period, pursuant to the requirements and terms of the 2012 Share Option Scheme, 350,000 Share Options were exercised by Mr. Bau Hsin Hong ("Mr. Bau"), the spouse of Ms. Huang (an executive Director), and 2,387,500 Share Options were exercised by other grantees who are not Directors. 2,039,000 Share Options lapsed due to the resignations of the grantees. For the fair value of the Share Options granted, please refer to note 19 to the condensed consolidated financial statements.

Save as disclosed above, no Share Option was granted, exercised, cancelled or lapsed during the Review Period. Particulars of the 2012 Share Option Scheme are set out in note 19 to the condensed consolidated financial statements.

FUTURE PROSPECTS AND STRATEGIES

During the Review Period, the GDP growth in China slowed down, closing to the lower limit of the annual target of 6% to 6.5%, and Purchasing Managers' Index of China's manufacturing industry in May and June was also below the threshold of 50. The automobile market was sluggish while the macro-economy was under downward pressure. As the market performance was lower than expectation during the Review Period, China Association of Automobile Manufactures has recently adjusted downward the estimation of automobile sales for 2019 released at the beginning of this year to an annual sales of approximately 26.68 million units in China, indicating a year-on-year decrease of approximately 5%. The estimated sales of NEVs is approximately 1.50 million units, representing a year-on-year increase of approximately 19.4%. The market consensus is that with the withdrawal of financial subsidies from local governments and the formal implementation of 50% reduction of financial subsidies from the central government since 25 June of this year, the cost advantage of NEVs will no longer exist. The only advantages of NEVs are the exemptions from restrictions on license plate and driving, and the sales growth of NEVs is expected to slow down in the second half of this year. As immediate alleviation of environmental problems is needed, the central government introduced a policy to allow the early adoption by local governments of the China VI emission standards which was originally scheduled to be fully implemented from 2020. Currently, many provinces and cities have announced the early commencement of stage b of China VI standards, almost four years earlier than the schedule of the Ministry of Ecology and Environment of the PRC. OEMs are facing the predicament of early phasing out of existing models and having to adjust their pace of launching new models. The overall pricing of automobiles was squeezed due to significant price cut of China V models for inventory clearance. Though the emission standards of China VI are more stringent, the replacement of China V models by China VI models is relatively easy for joint venture OEMs. Many Chinese brands, by contrast, are under pressure which may lead to a great reshuffle in the automobile industry.

During the Review Period, all major economies experienced deceleration. Automobile sales in the US and Europe also continued to decline. A new round of global monetary easing policy has commenced when the economies of Europe and the US are in downtrend. With the introduction of new energy, intelligent connection and self-driving technologies, software-defined vehicle is becoming an important development trend of the automobile industry. The barriers built by traditional OEMs based on fuel-engine technologies and the relevant industrial ecosystem are being broken successively by the rising scientific and technological revolution. The competition in the automobile industry is intensifying, and mergers and acquisitions among OEMs will continue to accelerate in order to either enhance their positions in existing field or to expand into emerging business areas. The auto parts suppliers will also speed up their transformation.

As global trade frictions escalate, the global economy is expected to decline amid fluctuations in the short term. Economic ties between China and the world have also been changing gradually. According to the latest publication by McKinsey Global Institute, the world's reliance on China's economy has relatively increased while China's reliance on the world's economy has decreased relatively. Countries around the world have started to review their economic relationships with China. In respect of international trade, China is an important supplier as well as a major consumer, especially for the automobile industry. Due to the continuous downturn of the automobile market in 2019 and the transformation of incremental market to stock market, various OEMs started to curb their operating costs and began their transformations and upgrades. Cooperation among automobile enterprises over the world will become a major trend to seek for new driver for profit growth. Meanwhile, the automobile industry is re-developing its future industrial chains to keep up with the development trend of clean energy, self-driving, internet-connection and car sharing. Unlike the traditional industry, NEVs will seek partners for diversified cooperation and participate in related R&D of core parts in the short term. Suppliers with better profitability will have a better say. In the medium to long term, gross profit for the battery, electric motor and electronic control system industry is expected to decrease in general. Suppliers will further optimize their cost structure and productivity while standardizing batteries, electric motors and electronic control systems with affordable price. In the medium to long term, most OEMs will gradually transform their business model from joint venture into open procurement except for few leading OEMs producing components by themselves. In the future, components industry will endure overcapacity but still lack quality sources. Along with the retreat of subsidy in the new energy vehicle industry, OEMs will have to confront various challenges, among which cost control and quality improvement are most crucial to their survival. In the next round of competition, it is foreseeable that automotive companies which have stronger command over the industry chain will have a competitive edge over their peers.

The Group will pay close attention to the changes in the automobile industry, tackle the challenges arising from deteriorating industry environment and tariff hike resulted from international trade friction, grasp the business opportunities brought by the global industrial development, and formulate its strategic layout in accordance with the industry policies related to the NEVs around the world as well as the development trend of lightweight, intelligence and electrification. On the one hand, through continuous R&D of new products, new technologies and new materials, the Group will expand its business coverage to sustain solid development in the long run. On the other hand, the Group will further improve the competitiveness of traditional products and its global market share by streamlining the cost and improving quality.

The Group will continue to promote the development of MOS and regard domestic factories and Mexican factories as pioneers in the implementation of MOS in terms of depth and breadth, realizing the transformation of operation management from reaction stage to prevention stage, continuously improve and integrate MOS, and proceed with the standardized operation process of the Group. In addition, the Group will evaluate its regional factories from seven perspectives to ensure the effective implementation of MOS in its regions and factories, with an aim to establish model factories for each business unit to ultimately form a preliminary structure of MOS with Minth's characteristics. The Group will also accelerate MOS talent distribution for Mexican factories to ensure the practical implementation of MOS there.

The Group will comprehensively carry out the planning and construction of intelligent factories, and drive the integration of its innovative capabilities based on its insights in future production methods. The Group will carry out omni-directional plan to ensure the successful construction of the future factory.

Through deploying the ERP system, the Group targets to establish a data standard system, business process system and operation management platform to support its global integrated operation and sustainable excellent operation. In the meanwhile, the Group will form a set of business procedures, a set of data standards and a system platform, and also nurture a team of talents. The Group will launch the Manufacturing Execution System to facilitate the upgrading its existing factories, formulate standardized management system and establish a quick response mechanism for its internal and external customers, which will ultimately ensure the realization of digitalized operation and intelligent decision-making.

During the Review Period, the Group prepared for the operation and management of its product line. In the future, the Group will draw up strategic plans for various product lines and participate in decision-making regarding the R&D of products. The Group will also coordinate and lead the professional development of factories, lead the technological upgrading of product lines and establish global production standardization and the best benchmarking factory. Through maximizing the sharing of advanced technology, talents and resources, the Group aims to enhance the global competitiveness of its products in an all round way.

The Group will strive to balance and optimize its investment portfolio and value chain layout in the global market in order to further cultivate its excellent operation ability, better manage risks and uncertainties arising from the economic development and achieve value positioning in a more flexible manner. As the Group highly values the market development potentials in China, the Group will further cooperate with the government and maintain a healthy balance sheet. In the era of opportunities and challenges, the Group will offer more modularized product solutions and personalized products and services for customers by implementing the operational model of product business units, developing new products featuring aesthetics, lightweight, electrification and intelligence, and upgrading the techniques and introducing innovative functions of traditional products.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (the same period in 2018: nil).

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, the interests or short positions of every person, other than the Directors or chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO"), were as follows:

Name of Substantial Shareholder	Capacity	Long/Short Position	Total Number of Ordinary Shares	Percentage of the Company's Issued Share Capital (Note 1)
Wei Ching Lien ("Ms. Wei")	Interest of spouse	Long position	450,072,000 (Note 2)	39.17%
Minth Holdings Limited ("Minth Holdings")	Beneficial owner	Long position	450,072,000 (Note 3)	39.17%
Commonwealth Bank of Australia	Interest of controlled corporations	Long position	92,314,299 (Note 4)	8.03%
Matthews International Capital Management, LLC	Investment manager	Long position	80,763,000	7.03%

Note 1: The percentage of the Company's issued share capital is based on the 1,148,990,000 Shares issued as at 30 June 2019.

Note 2: As at 30 June 2019, Minth Holdings was beneficially interested in 450,072,000 Shares. Minth Holdings is wholly-owned by Mr. Chin and he is therefore deemed to be interested in the entire 450,072,000 Shares held by Minth Holdings. Since Ms. Wei is the spouse of Mr. Chin, Ms. Wei is deemed to be interested in the 450,072,000 Shares in which Mr. Chin is deemed to be interested.

Note 3: As at 30 June 2019, Minth Holdings, a company wholly-owned by Mr. Chin, was beneficially interested in 450,072,000 Shares.

Note 4: As at 30 June 2019, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, these Shares were held by corporations controlled directly or indirectly as to 100% by Commonwealth Bank of Australia.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2019, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would otherwise have to be notified to the Company and the Stock Exchange pursuant to Division 7 and Division 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

Name of Director	Company/ Name of Associated Corporation	Long/Short Position	Capacity	Total Number of Ordinary Shares	Percentage of the Company's Issued Share Capital (Note 1)
Chin Jong Hwa	Company	Long position	Interest of controlled corporation	450,072,000 (Note 2)	39.17%
Zhao Feng ("Mr. Zhao")	Company	Long position	Beneficial owner	1,900,000	0.17%
			Interest of spouse	100,000 (Note 3)	0.01%
Chin Chien Ya ("Ms. Chin")	Company	Long position	Beneficial owner	100,000 (Note 4)	0.01%
Huang Chiung Hui	Company	Long position	Beneficial owner	1,500,000	0.13%
			Interest of spouse	300,000 (Note 5)	0.03%
Wu Fred Fong ("Mr. Wu")	Company	Long position	Beneficial owner	240,000 (Note 6)	0.02%
Wang Ching ("Dr. Wang")	Company	Long position	Beneficial owner	180,000 (Note 6)	0.02%
Yu Zheng ("Ms. Zheng")	Company	Long position	Beneficial owner	300,000	0.03%
			Interest of spouse	1,010,000 (Note 7)	0.09%

Note 1: The percentage of the Company's issued share capital is based on the 1,148,990,000 Shares issued as at 30 June 2019.

Note 2: As at 30 June 2019, Minth Holdings was beneficially interested in 450,072,000 Shares. Minth Holdings is wholly-owned by Mr. Chin and he is therefore deemed to be interested in the entire 450,072,000 Shares held by Minth Holdings.

Note 3: These figures represent (i) the aggregated number of 900,000 Shares held by Mr. Zhao and 1,000,000 Share Options granted to Mr. Zhao under the 2012 Share Option Scheme that are exercisable and (ii) 100,000 Shares held by Ms. Zhu Chun Ya ("Ms. Zhu"). Upon exercise of the Share Options, Mr. Zhao will own an aggregate of 1,900,000 Shares. Since Mr. Zhao is the spouse of Ms. Zhu, he is also deemed to be interested in the aforesaid Shares in which Ms. Zhu is interested.

Note 4: This figure represents the number of Share Options granted to Ms. Chin under the 2012 Share Option Scheme that are exercisable. Upon exercise of the Share Options, Ms. Chin will own 100,000 Shares.

Note 5: These figures represent (i) 1,500,000 Share Options granted to Ms. Huang under the 2012 Share Option Scheme that are exercisable and (ii) 300,000 Share Options granted to Mr. Bau under the 2012 Share Option Scheme that are exercisable. Upon exercise of the Share Options, Ms. Huang will own 1,500,000 Shares. Since Ms. Huang is the spouse of Mr. Bau, she is also deemed to be interested in the aforesaid Shares in which Mr. Bau is interested.

Note 6: These figures represent the number of Share Options granted to Mr. Wu and Dr. Wang under the 2012 Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Wu and Dr. Wang will own 240,000 Shares and 180,000 Shares, respectively.

Note 7: These figures represent (i) 300,000 Share Options granted to Ms. Zheng under the 2012 Share Option Scheme that are exercisable and (ii) 1,010,000 Shares held by Mr. Wei Wei ("Mr. Wei"). Upon exercise of the Share Options, Ms. Zheng will own 300,000 Shares. Since Ms. Zheng is the spouse of Mr. Wei, she is also deemed to be interested in the aforesaid Shares in which Mr. Wei is interested.

Save as disclosed above, as at 30 June 2019, 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).

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

There was no purchase, sale or redemption by the Company or any of its subsidiaries of any listed securities of the Company during the Review Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

During the Review Period, Mr. Chin, the Chairman of the Board and chief executive officer ("CEO"), was responsible for leading the Board in establishing and monitoring the implementation of strategies and plans to create value for Shareholders. Mr. Chin manages the operations of the Group's businesses, proposes strategies to the Board and effectively implement strategies and policies adopted by the Board.

Paragraph A.2.1 of the Corporate Governance Code (the "Corporate Governance Code") set out in Appendix 14 to the Listing Rules provides that the chairman and chief executive officer should be separate and should not be performed by the same individual. As previously announced, during the Review Period where the Company continued to identify a suitable successor of the Group's CEO, the Board was of the view that the above arrangement was in the best interest of the Group, with the business of the Group predominantly managed on a daily basis by Mr. Chin. The Board held periodical meetings to consider major matters related to the Group's operations and such structure did not harm the balance of power and authority between Directors as Mr. Chin was one out of a total of seven Directors at the relevant time. The other executive Directors are designated with different responsibilities, which are supplementary to the role of the chairman and CEO. The Board believes that such structure strengthened leadership and facilitated the effective operation of the Group during the Review Period. This deviation from the Corporate Governance Code will cease as the Company has appointed Mr. Chen Bin Bo as the new CEO on 21 August 2019 and Mr. Chin has stepped down from the position of CEO but will remain as an executive Director and Chairman of the Board, further details of which are set out in the Company's announcement dated 21 August 2019.

Save as aforesaid, none of the Directors is aware of any information that would reasonably indicate that the Company did not, at any time during the Review Period, comply with the Corporate Governance Code.

The Company has adopted the Model Code as the Company's code of conduct and the code for dealing in the Company's securities by all Directors. Having made specific enquiries to all Directors, the Directors confirmed that they had strictly complied with the standards stipulated under the Model Code during the Review Period.

MATERIAL LITIGATION AND ARBITRATION

Save for the petition served by the Securities and Futures Commission ("SFC") to the Company on 11 April 2014, details of which were set out in the Company's announcements dated 14 April 2014, 29 May 2014 and 9 July 2014 and its 2015, 2016, 2017 and 2018 annual reports, the Group is not engaged in any litigation or arbitration of material importance during the Review Period. On 31 August 2016, the SFC amended its petition in the court proceedings to add further particulars. The trial for the court proceedings has been scheduled from 14 October 2019 to 15 November 2019 (with 29 November 2019 reserved for closing submissions).

AUDIT COMMITTEE

The Audit Committee of the Company consists of three independent non-executive Directors, namely Mr. Wu Fred Fong (chairman of the Audit Committee), Dr. Wang Ching and Ms. Yu Zheng. The committee reviews the Group's internal control systems, the completeness and accuracy of the Group's financial statements and liaises on behalf of the Directors with the external auditor. Members of the committee will meet regularly with the management and external auditor to review the audit reports as well as the interim and annual financial reports of the Group. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2019 and this interim report, and recommended the adoption by the Board.

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

Hong Kong, 21 August 2019

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Minth Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 90, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
Revenue	3	**6,130,044**	5,992,596
Cost of sales		**(4,142,697)**	(3,988,488)
Gross profit		**1,987,347**	2,004,108
Investment income	4	**48,342**	32,535
Other income	5	**98,716**	104,081
Other gains and losses	6	**49,971**	26,142
Distribution and selling expenses		**(255,024)**	(235,581)
Administrative expenses		**(457,771)**	(417,765)
Research expenditures		**(298,545)**	(260,220)
Interest expenses		**(76,637)**	(62,310)
Share of losses of joint ventures		**(1,168)**	(2,980)
Share of (losses) profits of associates		**(10,099)**	4,712
Profit before tax		**1,085,132**	1,192,722
Income tax expense	7	**(151,587)**	(174,402)
Profit for the period	8	**933,545**	1,018,320
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**11,315**	15,232
Fair value gain (loss) on:			
debt instruments measured at fair value through other comprehensive income		**1,886**	(1,839)
Other comprehensive income for the period (net of income tax)		**13,201**	13,393
Total comprehensive income for the period		**946,746**	1,031,713

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Note	**RMB'000**	RMB'000
Profit for the period attributable to:			
Owners of the Company		**894,123**	985,774
Non-controlling interests		**39,422**	32,546
		933,545	1,018,320
Total comprehensive income for the period attributable to:			
Owners of the Company		**906,307**	999,268
Non-controlling interests		**40,439**	32,445
		946,746	1,031,713
Earnings per share	10		
Basic		**RMB0.779**	RMB0.862
Diluted		**RMB0.776**	RMB0.854

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	11	**8,366,033**	7,933,121
Right-of-use assets	11	**784,250**	–
Prepaid lease payments		**–**	745,629
Goodwill		**98,030**	97,505
Other intangible assets		**57,984**	63,281
Interests in joint ventures		**88,164**	98,720
Interests in associates		**135,536**	215,062
Loan receivables		**6,000**	6,000
Deferred tax assets		**136,033**	149,208
Prepayment for acquisition of property, plant and equipment		**91,023**	163,611
Contract assets	12B	**682,940**	582,333
Contract costs		**70,224**	64,981
Plan assets		**1,788**	1,788
		10,518,005	10,121,239
Current assets			
Prepaid lease payments		**–**	19,352
Inventories		**1,950,792**	1,974,480
Loan receivables		**2,000**	2,000
Property under development		**16,306**	15,347
Trade and other receivables	12A	**3,713,384**	4,207,395
Derivative financial assets	14	**2,936**	4,878
Debt instruments at fair value through other comprehensive income		**390,179**	335,864
Pledged bank deposits		**84,909**	65,663
Bank balances and cash		**4,361,806**	4,521,870
		10,522,312	11,146,849

	Notes	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Current liabilities			
Trade and other payables	15	**2,856,093**	3,291,632
Tax liabilities		**85,046**	136,218
Borrowings	16	**3,834,840**	4,091,130
Lease liabilities		**5,282**	–
Contract liabilities		**93,301**	72,685
Derivative financial liabilities	14	**7,030**	1,170
Other long-term liability due within one year	18	**103,662**	–
		6,985,254	7,592,835
Net current assets		**3,537,058**	3,554,014
Total assets less current liabilities		**14,055,063**	13,675,253
Capital and reserves			
Share capital	17	**115,137**	114,902
Share premium and reserves		**13,358,244**	13,045,512
Equity attributable to owners of the Company		**13,473,381**	13,160,414
Non-controlling interests		**380,383**	268,292
Total equity		**13,853,764**	13,428,706
Non-current liabilities			
Deferred tax liabilities		**84,072**	67,405
Retirement benefit obligations		**15,471**	15,471
Lease liabilities		**13,946**	–
Derivative financial liabilities	14	**4,185**	759
Deferred income		**20,705**	–
Other long-term liabilities	18	**62,920**	162,912
		201,299	246,547
		14,055,063	13,675,253

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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	Financial instruments measured at fair value through other comprehensive income ("FVTOCI") reserve RMB'000	Exchange reserve RMB'000	Share options reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018 (audited)	114,425	3,789,355	276,199	44,269	525,501	34,880	–	(137,782)	59,520	7,406,767	12,113,134	284,971	12,398,105
Adjustment	–	–	–	–	–	–	(5,900)	–	–	58,032	52,132	9,186	61,318
At 1 January 2018 (restated)	114,425	3,789,355	276,199	44,269	525,501	34,880	(5,900)	(137,782)	59,520	7,464,799	12,165,266	294,157	12,459,423
Profit for the period	–	–	–	–	–	–	–	–	–	985,774	985,774	32,546	1,018,320
Other comprehensive income for the period	–	–	–	–	–	–	(1,839)	15,333	–	–	13,494	(101)	13,393
Total comprehensive income for the period	–	–	–	–	–	–	(1,839)	15,333	–	985,774	999,268	32,445	1,031,713
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	22,871	–	22,871	–	22,871
Dividend declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(71,564)	(71,564)
Transfer to reserve fund	–	–	–	–	27,872	8,956	–	–	–	(36,828)	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	(66,168)	–	–	–	–	–	–	(66,168)	(24,308)	(90,476)
Dividends recognised as distribution (note 9)	–	–	–	–	–	–	–	–	–	(794,813)	(794,813)	–	(794,813)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	69,387	69,387
Deemed acquisition of non-controlling interest	–	–	–	(1,031)	–	–	–	–	–	–	(1,031)	(10,294)	(11,325)
Exercise of share options	398	72,243	–	–	–	–	–	–	(15,379)	–	57,262	–	57,262
At 30 June 2018 (unaudited)	114,823	3,861,598	276,199	(22,930)	553,373	43,836	(7,739)	(122,449)	67,012	7,618,932	12,382,655	289,823	12,672,478

	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	Financial instruments measured at FVTOCI reserve RMB'000	Exchange reserve RMB'000	Share options reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019 (audited)	114,902	3,876,217	276,199	(22,930)	642,063	85,512	(5,919)	(85,299)	114,871	8,164,798	13,160,414	268,292	13,428,706
Profit for the period	–	–	–	–	–	–	–	–	–	894,123	894,123	39,422	933,545
Other comprehensive income for the period	–	–	–	–	–	–	1,886	10,298	–	–	12,184	1,017	13,201
Total comprehensive income for the period	–	–	–	–	–	–	1,886	10,298	–	894,123	906,307	40,439	946,746
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	37,975	–	37,975	–	37,975
Non-controlling interest arising on the acquisition of a subsidiary (note 23)	–	–	–	–	–	–	–	–	–	–	–	71,652	71,652
Liquidation of a subsidiary	–	–	–	–	–	(5,306)	–	–	–	5,306	–	–	–
Transfer to other reserve for share options forfeited after the vesting date	–	–	–	868	–	–	–	–	(868)	–	–	–	–
Dividends recognised as distribution (note 9)	–	–	–	–	–	–	–	–	–	(667,384)	(667,384)	–	(667,384)
Exercise of share options	235	45,661	–	–	–	–	–	–	(9,827)	–	36,069	–	36,069
At 30 June 2019 (unaudited)	115,137	3,921,878	276,199	(22,062)	642,063	80,206	(4,033)	(75,001)	142,151	8,396,843	13,473,381	380,383	13,853,764

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

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

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

The financial instruments measured at fair value through other comprehensive income ("FVTOCI") reserve represents the changes in fair value of bill receivables which was measured as debt instruments at FVTOCI upon the adoption of HKFRS 9 in the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
NET CASH FROM OPERATING ACTIVITIES	**1,219,237**	1,052,381
NET CASH USED IN INVESTING ACTIVITIES:		
Proceeds on redemption of other financial assets and derivative financial instruments	**8,209,650**	11,313,001
Investment in other financial assets and derivative financial instruments	**(8,163,208)**	(11,313,079)
Interest received	**50,999**	88,536
Dividend received from a joint venture	**10,000**	10,000
Proceeds on disposal of property, plant and equipment	**119,219**	56,313
Proceeds on disposal of other intangible assets	**298**	–
Repayment from associates	**–**	20,837
Repayment from a joint venture	**2,000**	–
Loan to a joint venture	**(2,000)**	–
New pledged bank deposits placed	**(64,244)**	(166,455)
Release of pledged bank deposits	**44,998**	–
Payment for right-of-use assets	**(3,097)**	–
Purchases of property, plant and equipment	**(743,235)**	(1,119,706)
Acquisition of a subsidiary (note 23)	**129,215**	49,100
Disposal of a subsidiary	**–**	18,664
Purchases of other intangible assets	**(9,361)**	(17,381)
Investment made to a joint venture	**–**	(7,623)
Liquidation of a joint venture	**–**	2,691
	(418,766)	(1,065,102)

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
NET CASH (USED IN) FROM FINANCING ACTIVITIES:		
Repayment of borrowings	**(5,239,143)**	(1,896,773)
Dividends paid to owners of the Company	**(667,384)**	(794,813)
Dividends paid to non-controlling shareholders	**–**	(71,564)
Interest paid	**(69,583)**	(61,301)
New borrowings raised	**4,980,080**	3,448,796
Acquisition of additional interests in a subsidiary	**–**	(91,507)
Deemed acquisition from non-controlling interest	**–**	(10,294)
Proceeds from exercise of share options	**36,069**	57,262
Loan from government (note 18)	**–**	60,000
Repayment of lease liabilities	**(3,753)**	–
	(963,714)	639,806
Net (decrease) increase in cash and cash equivalents	**(163,243)**	627,085
Cash and cash equivalents at 1 January	**4,521,870**	3,849,601
Effect of foreign exchange rate changes	**3,179**	18,771
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	**4,361,806**	4,495,457

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
Hong Kong International Financial Reporting Interpretations Committee ("HK(IFRIC)")–Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 *Leases* superseded HKAS 17 *Leases* ("HKAS 17") and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings, motor vehicles, furniture and equipment, and machinery that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of land and buildings in the People's Republic of China was determined on a portfolio basis; and

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of RMB18,674,000 and right-of-use assets of RMB783,813,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.57%.

	1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	33,285
Lease liabilities discounted at relevant incremental borrowing rates	32,299
Less: Recognition exemption – short-term leases	(13,625)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	18,674
Analysed as	
Current	6,568
Non-current	12,106
	18,674

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		18,674
Reclassified from prepaid lease payments	(a)	764,981
Adjustments on advanced lease payment at 1 January 2019		158
		783,813
By class:		
Leasehold lands		764,981
Land and buildings		18,335
Motor vehicles		354
Machinery		143
		783,813

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2018	Reclassification	Remeasurement	Carrying amounts under HKFRS 16 at 1 January 2019
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets					
Prepaid lease payments	(a)	745,629	(745,629)	–	–
Right-of-use assets		–	765,139	18,674	783,813
Current Assets					
Prepaid lease payments	(a)	19,352	(19,352)	–	–
Trade and other receivables		4,207,395	(158)	–	4,207,237
Current Liabilities					
Lease liabilities		–	–	6,568	6,568
Non-current liabilities					
Lease liabilities		–	–	12,106	12,106

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB19,352,000 and RMB745,629,000 respectively were reclassified to right-of-use assets.

(b) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(c) Effective on 1 January 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The Directors of the Company considered the impact of applying HKFRS 16 as a lessor is insignificant to the Group's condensed consolidated statement of financial position as at 30 June 2019 and its condensed consolidated statement profit or loss and other comprehensive income and cash flows for the current interim period.

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue

	Six months ended 30 June 2019		
	Automobile body part RMB'000	Mould RMB'000	Total RMB'000
Types of goods or service			
Sales of goods	5,513,487	616,557	6,130,044
Geographical markets			
The PRC	3,072,186	327,258	3,399,444
Other countries	2,441,301	289,299	2,730,600
Total	5,513,487	616,557	6,130,044

All the revenue of the Group has been recognised at a point in time.

3B. SEGMENT INFORMATION

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

For the six months ended 30 June 2019 (unaudited)

	The PRC RMB'000	North America RMB'000	Europe RMB'000	Asia Pacific RMB'000	Consolidated RMB'000
SEGMENT REVENUE					
External sales	3,399,444	1,346,562	1,114,901	269,137	6,130,044
Segment profit	1,085,435	403,848	421,421	76,838	1,987,542
Investment income					48,342
Other unallocated income and gains and losses					148,492
Unallocated expenses					(1,011,340)
Interest expenses					(76,637)
Share of losses of joint ventures					(1,168)
Share of losses of associates					(10,099)
Profit before tax					1,085,132
Income tax expense					(151,587)
Profit for the period					933,545

For the six months ended 30 June 2018 (unaudited)

	The PRC RMB'000	North America RMB'000	Europe RMB'000	Asia Pacific RMB'000	Consolidated RMB'000
SEGMENT REVENUE					
External sales	3,684,438	1,195,243	820,912	292,003	5,992,596
Segment profit	1,328,852	290,895	296,727	95,096	2,011,570
Investment income					32,535
Other unallocated income and gains and losses					122,761
Unallocated expenses					(913,566)
Interest expenses					(62,310)
Share of losses of joint ventures					(2,980)
Share of profits of associates					4,712
Profit before tax					1,192,722
Income tax expense					(174,402)
Profit for the period					1,018,320

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

4. INVESTMENT INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank deposits	**48,126**	32,127
Interest on loan receivables	**216**	408
Total	**48,342**	32,535

5. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Government grants (note)	**71,676**	79,803
Service and consultation income	**3,577**	1,795
Sales of scrap and raw materials	**11,263**	11,772
Property rental income	**3,672**	3,633
Sale of property developed	**8**	446
Others	**8,520**	6,632
Total	**98,716**	104,081

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

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net foreign exchange gains (losses)	**1,954**	(13,825)
Fair value changes of derivative financial instruments	**(495)**	1,406
Fair value changes of other financial assets at fair value through profit or loss ("FVTPL")	**35,736**	30,378
Reversal of loss allowance on trade and other receivables	**195**	7,462
Gain on disposal of a subsidiary	**–**	5,814
Gain on deem disposal of an associate	**836**	–
Gain (loss) on disposal of property, plant and equipment	**24,241**	(6,235)
Impairment loss (recognised) reversed on property, plant and equipment	**(12,143)**	1,142
Impairment loss recognised on intangible assets	**(353)**	–
Total	**49,971**	26,142

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax:		
Hong Kong	**–**	–
PRC Enterprise Income Tax	**156,438**	217,373
Other jurisdictions	**12,112**	–
	168,550	217,373
Over provision in prior years:		
PRC Enterprise Income Tax	**(46,803)**	(32,820)
Deferred tax:		
Current period charge (credit)	**29,840**	(10,151)
	151,587	174,402

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

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%.

Under the Law of the Mexican Corporate Income Tax (the "CIT Law"), the tax rate of the Mexico subsidiaries is 30%.

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

According to the EIT Law, which was issued in the year 2007, and the Caishui [2011] No. 58 ("Circular 58"), certain of the group entities located in the PRC have been entitled to the following tax concession under the EIT Law:

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

(2) Those entities which are qualified as "Hi-New Tech Enterprises"("HNTE") would enjoy a preferential tax rate of 15% under the EIT Law and the qualification of HNTE is subject to every 3-year renewal.

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

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

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**361,579**	281,717
Depreciation of right-of-use assets	**12,087**	–
Amortisation of other intangible assets (included in cost of sales, administrative expenses and research expenditures)	**14,213**	11,529
Total depreciation and amortisation	**387,879**	293,246
Cost of inventories recognised	**4,142,697**	3,988,488
Write-down of inventories	**44,067**	4,631
Reversal of inventories provision	**(4,353)**	(932)

9. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Dividends recognised as distribution during the period: 2018 Final – HK$0.661 (2017: final dividend HK$0.850) per share	**667,384**	794,813

On 20 June 2019, a dividend of HK$0.661 per share was paid to shareholders as the final dividend for 2018 (on 20 June 2018, a dividend of HK$0.850 per share was paid to shareholders as the final dividend for 2017).

The directors of the Company have determined that no dividend will be proposed in respect of the interim period (2018 interim period: nil).

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**894,123**	985,774
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,147,318**	1,144,131
Effect of dilutive share options (note)	**5,478**	10,021
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,152,796**	1,154,152

Note: Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share neither for the six months ended 30 June 2019 nor for the six months ended 30 June 2018 as they did not have dilutive effect on the Company's earnings per share because the exercise prices of these options were higher than the average market prices of the Company's shares during the current interim period.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS

During the current interim period, the Group spent RMB882,492,000 (RMB1,315,026,000 for the six months ended 30 June 2018) on the construction of the manufacturing plant and acquisitions of plant and machinery in the PRC, Thailand, Germany, Mexico and USA, in order to upgrade its manufacturing capabilities.

During the current interim period, property, plant and equipment amounting to RMB114,532,000 (RMB196,345,000 for the six months ended 30 June 2018) was disposed of. Gain on disposal of these property, plant and equipment amounting to RMB24,241,000 has been recognised (for the six months ended 30 June 2018: Loss of damage from the fire broke out in production facility of a subsidiary after deducting estimated insurance coverage and disposal of other property, plant and equipment amounting to RMB6,235,000 has been recognised).

During the current interim period, RMB12,143,000 impairment loss has been recognised (RMB1,142,000 for the six months ended 30 June 2018 has been reversed) due to the idle machinery.

During the current interim period, the Group entered into new lease agreements for the use of building for 2 years. On lease commencement, the Group recognised RMB3,249,000 of right-of-use assets and RMB3,249,000 lease liabilities.

12A. TRADE AND OTHER RECEIVABLES

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Trade receivables		
– associates	13,105	18,205
– joint ventures	13,370	12,064
– non-controlling shareholders of subsidiaries	1,330	1,400
– other related parties*	173	1,773
– third parties	2,812,978	3,122,044
Less: allowance for credit losses	(17,252)	(37,951)
	2,823,704	3,117,535
Other receivables	143,843	200,861
Less: allowance for credit losses	(6,739)	(6,350)
	137,104	194,511
Prepayments	462,779	475,569
Prepaid expense	28,018	25,881
Value-added tax recoverable	200,265	229,723
Insurance recoverables for loss of property, plant and equipment	–	46,495
Dividend receivable from an associate	–	96,140
Refundable guarantee deposits	42,630	–
Interest receivable	18,884	21,541
Total trade and other receivables	3,713,384	4,207,395

* The companies are those in which Mr. Chin and his family have control.

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

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Age		
0–90 days	**2,572,679**	2,880,046
91–180 days	**117,841**	166,187
181–365 days	**90,762**	53,868
1–2 years	**38,663**	10,844
Over 2 years	**3,759**	6,590
	2,823,704	3,117,535

12B. CONTRACT ASSETS

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Moulds development – Non-current	**682,940**	582,333

The contract assets are in relation to the Group's right to consideration for work completed but not billed yet. The contract assets are transferred to trade receivables at the time the rights to consideration become unconditional as stipulated in the relevant contracts.

13. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSSES ("ECL") MODEL

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Impairment loss reversed (recognised) in respect of		
Trade receivables	**585**	7,167
Other receivables	**(390)**	295
	195	7,462

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

14. DERIVATIVE FINANCIAL ASSETS/DERIVATIVE FINANCIAL LIABILITIES

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Derivative financial assets		
Foreign exchange forward contracts (a)	**1,278**	3,610
Interest rate swap contracts (b)	**–**	1,171
Foreign currency structural option contracts (c)	**1,334**	47
Call Option (d)	**–**	50
Vanilla option contracts (e)	**324**	–
	2,936	4,878
Derivative financial liabilities		
Foreign exchange forward contracts (a)	**2,802**	1,170
Interest rate swap contracts (b)	**4,185**	759
Foreign currency structural option contracts (c)	**3,961**	–
Vanilla option contracts (e)	**267**	–
	11,215	1,929

Notes:

a. Foreign exchange forward contracts

As of 30 June 2019, the Group had a number of outstanding foreign exchange forward contracts. Derivative financial assets of RMB1,278,000 (31 December 2018: RMB3,610,000), and derivative financial liabilities of RMB2,802,000 (31 December 2018: RMB1,170,000) have been recognised in accordance with the fair value of the above foreign exchange forward contracts, respectively.

b. Interest rate swap contracts

As of 30 June 2019, the Group had a number of interest rate swap contracts. Nil derivative financial assets (31 December 2018: RMB1,171,000), and derivative financial liabilities of RMB4,185,000 (31 December 2018: RMB759,000) have been recognised in accordance with the fair value of the above interest rate swap contracts.

c. Foreign currency structural option contracts

As of 30 June 2019, the Group had a number of foreign currency structural option contracts. Derivative financial assets of RMB1,334,000 (31 December 2018: RMB47,000), and derivative financial liabilities of RMB3,961,000 (31 December 2018: Nil) have been recognised in accordance with the fair value of the above options contracts.

d. Call option

The Group was entitled to a call option to purchase back certain equity interest in Jiangsu Min'an Electric Cars Co., Ltd.* (江蘇敏安電動汽車有限公司). The call option has lapsed during the current interim period. Changes in fair value have been charged into the profit or loss of the Group.

e. Vanilla option contracts

As of 30 June 2019, the Group had a number of vanilla option contracts. Derivative financial assets of RMB324,000 and derivative financial liabilities of RMB267,000 have been recognised in accordance with the fair value of the above vanilla option contracts.

* The English name is for identification purpose only.

15. TRADE AND OTHER PAYABLES

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Trade payables		
– associates	**27,261**	71,662
– joint ventures	**9,106**	7,252
– non-controlling shareholders of subsidiaries	**9,059**	7,876
– other related parties*	**40,315**	62,919
– third parties	**1,564,211**	1,904,624
	1,649,952	2,054,333
Bill payables	**250,317**	201,906
Other payables		
– associates	**1,126**	173
– joint ventures	**–**	27
– non-controlling shareholders of subsidiaries	**34,333**	21,648
– other related parties*	**–**	877
	35,459	22,725
Payroll and welfare payables	**323,276**	383,796
Consideration payable for acquisition of property, plant and equipment	**240,655**	213,746
Technology support service fees payable	**5,736**	4,808
Freight and utilities payable	**74,989**	88,978
Value-added tax payable	**28,896**	36,740
Interest payable	**10,321**	7,436
Rental payable	**7,067**	6,534
Deposits received	**11,339**	6,173
Others	**218,086**	264,457
Total trade and other payables	**2,856,093**	3,291,632

* The companies are those in which Mr. Chin and his family have control.

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

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Age		
0–90 days	**1,451,947**	1,804,626
91–180 days	**104,461**	122,441
181–365 days	**60,252**	59,439
1–2 years	**28,125**	59,678
Over 2 years	**5,167**	8,149
	1,649,952	2,054,333

16. BORROWINGS

During the current interim period, the Group obtained new borrowings amounting to RMB4,980,080,000 (RMB3,468,454,000 for the six months ended 30 June 2018). The loans bear interest at variable market rates. The proceeds were used to provide additional working capital for the Group. Repayments of borrowings amounting to RMB5,239,143,000 (RMB1,896,773,000 for the six months ended 30 June 2018) were made during the current interim period in line with the relevant repayment terms.

17. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	5,000,000	500,000

	Number of shares '000	Share capital RMB'000
Issued and fully paid:		
As at 1 January 2018 (audited)	1,140,544	114,425
Exercise of share options	4,818	398
At 30 June 2018 (unaudited)	1,145,362	114,823
As at 1 January 2019 (audited)	1,146,253	114,902
Exercise of share options	2,737	235
At 30 June 2019 (unaudited)	1,148,990	115,137

18. OTHER LONG-TERM LIABILITIES

During the year ended 31 December 2017, the Group entered into an agreement with a local government agency in the PRC, who agreed to inject capital contribution amounting to RMB100,000,000 into Jiaxing Kittel-Minth Automotive Parts Co., Ltd. ("Jiaxing Kittel-Minth"), a subsidiary of the Group. Pursuant to the capital injection agreement, the local government agency would not participate in Jiaxing Kittel-Minth's operation and management. The local government agency has the right to ask the Group and the Group is obligated to redeem the capital injection from local government agency either three years or five years after the receipt of the capital, with interest calculated based on one-year bank deposit benchmark rate stipulated by the People's Bank of China. The long-term liability will due in January 2020 and therefore have been reclassified as other long-term liability due within one year in the condensed consolidated financial statements.

During the year ended 31 December 2018, the Group entered into another agreement with a local government agency in the PRC, who agreed to inject capital contribution amounting to RMB60,000,000 into Jiaxing Guowei Automotive Parts Co., Ltd. ("Jiaxing Guowei"), a subsidiary of the Group. Pursuant to the capital injection agreement, the local government agency would not participate in Jiaxing Guowei's operation and management. The local government agency has the right to ask the Group and the Group is obligated to redeem the capital injection from local government agency three years after the receipt of the capital, with interest calculated based on three-year bank loan benchmark rate stipulated by the People's Bank of China. Therefore, the capital injection made by the local government agency is treated as a long-term liability.

19. SHARE-BASED PAYMENT TRANSACTIONS

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

The Group has granted a series of share options in 2007, 2008, 2011, 2012, 2014, 2015 and 2018 under the 2005 Share Option Scheme and the 2012 Share Option Scheme, respectively. For details, please refer to the relevant published announcements of the Company.

For the six months ended 30 June 2019, no new share options were granted (For the six months ended 30 June 2018, the Group granted a batch of 25,000,000 share options to certain directors and employees in April 2018 under the 2012 Share Option Scheme).

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

	Number of share options
Outstanding as at 1 January 2018 (audited)	19,092,600
Granted during the period	25,000,000
Exercised during the period	(4,817,600)
Outstanding as at 30 June 2018 (unaudited)	39,275,000

	Number of share options
Outstanding as at 1 January 2019 (audited)	38,384,000
Granted during the period	–
Exercised during the period	(2,737,500)
Forfeited during the period	(2,039,000)
Outstanding as at 30 June 2019 (unaudited)	33,607,500

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

During the current interim period, the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$25.66 (six months ended 30 June 2018: HK$44.86).

The Group recognised the total expenses of RMB37,975,000 for the current interim period (RMB22,871,000 for the six months ended 30 June 2018) in relation to share options granted by the Company.

20. COMMITMENTS

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

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	**317,170**	382,399

21. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

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

		Six months ended 30 June	
Relationship with related/ connected party	**Nature of transactions**	**2019 (Unaudited) RMB'000**	2018 (Unaudited) RMB'000
Joint venture, in which the Group has a 50%, 51% equity interests	Sales of raw materials	**1,533**	5,422
	Sales of finished goods	**22,349**	19,606
	Purchases of raw materials	**17,020**	16,784
	Purchases of finished goods	**1,966**	217
Associates, in which the Group has a 25%, 30%, 35% and 40% equity interests	Sales of raw materials	**1,224**	11,615
	Sales of finished goods	**18,774**	37,142
	Sales of moulds	**–**	3,923
	Purchases of raw materials	**26,708**	27,632
	Purchases of semi-finished products	**7,288**	79
	Purchases of finished goods	**1,013**	16,248
	Property rental income	**1,077**	1,080
	Sales of property, plant and equipment	**11**	946
	Other operating income	**5**	1,638
Companies in which Mr. Chin and his family have control	Sales of moulds	**–**	1,026
	Purchases of semi-finished moulds	**21,260**	101
	Purchases of property, plant and equipment	**2,410**	–
	Property rental income	**1,253**	–
	Technology support services charges	**4,301**	3,615

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

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short-term benefits	**5,269**	6,066
Post-employment benefits	**73**	49
Share-based payments	**3,493**	6,781
	8,835	12,896

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

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and input(s) used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 2 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at 30 June 2019 (unaudited)	Fair value as at 31 December 2018 (audited)	Fair value hierarchy	Basis of fair value measurement/valuation technique(s) and key input(s)
1) Foreign currency forward contracts classified as derivative financial assets and liabilities	Assets – RMB1,278,000 Liabilities – RMB2,802,000	Assets – RMB3,610,000 Liabilities – RMB1,170,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
2) Interest rate swap contracts classified as derivative financial assets and liabilities	Liabilities – RMB4,185,000	Assets – RMB1,171,000 Liabilities – RMB759,000	Level 2	Discounted cash flow. Future cash flows are estimated based on applicable yield curves derived from quoted interest rates and contracted interest rates on each maturity date and contracted forward interest rate at the end of the final maturity date, discounted at a rate that reflects the credit risk of various counterparties.
3) Vanilla option contracts classified as derivative financial assets and liabilities	Assets – RMB324,000 Liabilities – RMB267,000	Nil	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
4) Debt instruments at FVTOCI	Assets – RMB390,179,000	Assets – RMB335,864,000	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.
5) Foreign currency structural option contracts classified as derivative financial assets and liabilities	Assets – RMB1,334,000 Liabilities – RMB3,961,000	Assets – RMB47,000	Level 3	Fair value is derived using binomial tree computation method. The key parameters used include forward exchange rates (from observable forward exchange rate at the end of the reporting period), contracted exchange rates, discount rate, risk-free rate, time to maturity, and volatility.
6) Call Option classified as derivative financial assets	Nil	Assets – RMB50,000	Level 3	Fair value is derived using Black-Scholes model and Binomial Tree computation method. The key parameters used include time to maturity, exercise price, risk-free rate, dividend yield and volatility.

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

23. ACQUISITION OF A SUBSIDIARY

In December 2018, the Group entered into a sale and purchase agreement with Tokai Kogyo Co., Ltd. ("Tokai Kogyo") and Mitsui & Co., Ltd. ("Mitsui"), the other shareholders of an associate of the Group, Guangzhou Tokai Minth Automotive Parts Co., Ltd. ("Guangzhou Tokai"), pursuant to which Tokai Kogyo and Mitsui had agreed to sell and the Group had agreed to purchase aggregately 0.97% equity interests of Guangzhou Tokai at the consideration of RMB1,913,000. Meanwhile, the Group has the right to appoint majority of directors of the board of Guangzhou Tokai.

The acquisition has been completed on 2 January 2019 when the Group obtain the control over Guangzhou Tokai, upon which, Guangzhou Tokai became a non-wholly owned subsidiary of the Group. The acquisition is accounted for by acquisition method.

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

	2 January 2019 RMB'000
Current assets	
Cash and cash equivalents	131,128
Trade and other receivables	89,952
Inventories	19,147
Non-current assets	
Property, plant and equipment	46,408
Right-of-use assets	6,429
Other intangible assets	1,019
Deferred tax assets	202
Current liabilities	
Trade and other payables	(149,433)
Tax liabilities	(1,548)
	143,304

This transaction has resulted in the Group recognising a gain on deemed disposal of an associate amounting to RMB836,000 in profit or loss, calculated as follows:

	RMB'000
Fair value of previously held equity interest	70,264
Less: carry amount of previously held equity interest on the date of transaction	(69,428)
Gain recognised in profit or loss	836

Non-controlling interests

The non-controlling interest of 50% in Guangzhou Tokai recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Guangzhou Tokai and amounted to RMB71,652,000.

Goodwill arising on acquisition (determined on a provisional basis)

	2 January 2019 RMB'000
Consideration transferred	1,913
Plus: fair value of previously held equity interest	70,264
Less: recognised amount of identifiable net assets acquired	(71,652)
Goodwill arising on acquisition	525

Goodwill arose on the acquisition of Guangzhou Tokai is mainly attributable to the synergies expected to be achieved from integrating Guangzhou Tokai into the Group's existing business operations. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash inflows arising on acquisition

	RMB'000
Consideration paid in cash	(1,913)
Plus: cash and cash equivalent balances acquired	131,128
	129,215

Impact of acquisition on the results of the Group

The profit for the interim period includes profit of RMB30,921,000 arising from Guangzhou Tokai. Revenue for the interim period includes revenue of RMB109,198,000 attributable to Guangzhou Tokai.

24. SIGNIFICANT EVENT

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

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

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

The Directors are of the opinion that Magic Figure and Talentlink HK have been subsidiaries of the Company since completion of the Acquisition and that the SFC petition does not have any significant impact on the condensed consolidated financial statements of the Group for the six months ended 30 June 2019.

The first three directions hearings in connection with the SFC petition took place on 9 July 2014, 31 October 2014 and 11 February 2015, respectively. On 27 June 2016, the SFC indicated that it intended to amend its petition in the court proceedings to add further particulars. On 30 August 2016, the SFC was granted leave by the court to amend its petition in the court proceedings to add further particulars. On 30 November 2016, the Directors filed their respective amended points of defence. The trial has been fixed for the period from 14 October 2019 to 15 November 2019 (with 29 November 2019 reserved for closing submissions).