INTERIM REPORT 2018

MINTH GROUP LIMITED
敏實集團有限公司

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

Core Values

- Integrity
- Trust
- Teamwork
- 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

Contents

* 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 and Chief Executive Officer)
Zhao Feng
Chin Chien Ya
Huang Chiung Hui

Independent non-executive directors

Wang Ching
Wu Fred Fong
Yu Zheng

COMPANY SECRETARY

Yi Lei Li *(appointed on 8 February 2018)*
Loke Yu *(resigned on 8 February 2018)*

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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Website: www.minthgroup.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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308 Des Voeux Road Central
Sheung Wan, Hong Kong

PRINCIPAL BANKERS

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

Citibank N.A.
Hong Kong Branch
44/F Citibank Tower
No. 3 Garden Road
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East, Wanchai
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AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
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As to Cayman Islands Law
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Century Yard, Cricket Square
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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 2018 (the "Review Period"), the production and sales of China's passenger vehicles were approximately 11,854,000 units and approximately 11,775,000 units, respectively, representing a year-on-year growth of approximately 3.2% and approximately 4.6%, respectively, which were higher than the growth rates in the same period in 2017. As to segment market, the production and sales of sedans increased by approximately 3.0% and approximately 5.5% as compared to the same period in 2017, indicating a gradual recovery. SUV models witnessed a significant slowdown in growth, as the production and sales only increased by approximately 9.6% and approximately 9.7%, respectively. In addition, the MPV models experienced an obvious year-on-year decline. In terms of market share, the American brands declined, the French brands remained flat and other major JV brands increased slightly during the Review Period. Chinese brands recorded a decline in both sales growth and market share as compared to the same period in 2017. During the Review Period, China saw the production and sales of new energy vehicles reaching approximately 413,000 units and approximately 412,000 units, respectively, representing a year-on-year increase of approximately 94.9% and approximately 111.5%, respectively, and led the global market in growth rate despite of a comparatively small volume.

During the Review Period, among mature markets, the European and US automotive markets maintained a steady growth momentum, while the Japanese and Korean automotive markets declined slightly. Sales of light vehicles in the US market were approximately 8,605,000 units, representing a year-on-year growth of approximately 2.1%, and sales of passenger vehicles in the European Union were approximately 8,449,000 units, representing a year-on-year growth of approximately 2.9%. Most emerging markets maintained a good development trend with sales in Russia, Brazil, India and Thailand all achieving a growth rate of over 10%. Affected by the renegotiation of North American Free Trade Agreement and such policies as "America First", the automotive market in Mexico suffered a continuous decline in sales.

COMPANY OVERVIEW

Minth Group Limited (the "Company") together with its subsidiaries (collectively the "Group") is primarily engaged in the design, manufacture and sales of trims, decorative parts, body structural parts, roof racks and other related auto parts. The manufacturing bases of the Group are mainly located in China, the U.S., Mexico, Thailand and Germany. With the support of the technical centers in China, Germany, North America 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 2018 published by Automotive News, the Group's ranking rose from the 93rd place in 2017 to the 92nd place, reflecting a steady improvement and prosperous development of the Group.

During the Review Period, the Group continued the extension of traditional products and promoted the development of innovative products. For example, a smooth progress in research and business development is evident from the Group's new products including laser welded door frames, aluminum door frames and battery packs, all of which passed the technical reviews of the Group's customers and secured global orders. Besides, various orders are in the process of quotation or negotiation, which provides strong support for continuous growth in the Group's revenue. At the same time, other new products, such as emblem for adaptive cruise control system ("ACC"), also achieved major breakthroughs, with the concurrent design and development validation of multiple models being gradually carried out. In terms of production technique and surface treatment, the Group continued to optimize its existing production techniques and reduce costs and promoted the application of a variety of new technologies.

During the Review Period, the Group focused on pushing ahead the establishment and implementation of "Minth Lean Operation System" by learning from the World Class Manufacturing practices to build up the technology and management pillars for the development of "Minth Lean Operation System". By advancing its organization with the top-down and bottom-up approaches, the Group further accelerated its upgrading of manufacturing models for its traditional products. To achieve the objective of "zero inventory and zero error", the Group thoroughly undertook activities including asset-light practices, destocking, and total productive maintenance, during which all of its employees were engaged in rationalizing the control of fixed asset investments, reducing its inventory, and developing an intelligent equipment maintenance system, so as to improve its efficiency of capital turnover, extend the lifespan of its equipment and maximize its profitability.

In order to further enhance the operation and profitability of its overseas plants, the Group's regional operation units in China took over the management authority of some overseas factories for better support and management. By integrating the mature operation models and successful experience of its Chinese plants with overseas local cultural characteristics, the Group accelerated its pace in globalization and enhanced its capability in lean operation.

For the purposes of in-depth strategic cooperation on research and development ("R&D") of body weight reduction and material applications, the Group maximized external resources by deepening cooperation with major customers, suppliers, partners, universities, research institutions, experts and consulting companies, as well as entering into strategic cooperation agreements with domestic prominent universities and premium international suppliers. These initiatives helped the Group build a solid foundation for the R&D of innovative technologies in the future. In addition, the Group established an independent prototype development base so as to build a closer partnership in R&D with its customers, and pave the way for proactive promotion of its new technologies. During the Review Period, the Group continued to strengthen its R&D organization by proactively introducing and training technical experts and core technical talents for innovative products, deepen the research on product and technology innovation and seek technical breakthroughs. In the meantime, the Group established intellectual property protection systems at home and abroad to enhance the protection of patents for new products and core technologies, and it also promoted and encouraged its employees to practice the culture of innovation and raised their awareness of intellectual property protection.

While focusing on the development strategy and annual business objectives during the Review Period, the Group was committed to developing and implementing effective control over potential risks by continuing the overall improvement in its risk-oriented internal control. In addition, the Group also revised the corresponding policies and procedures for the new organizational structure of innovation, development, business and project management to support its future development. In addition to improving organizational efficiency, the Group continued to reinforce its risk control so that potential risks were controlled within reasonably acceptable tolerance levels. During the Review Period, the Group continued to ensure that sufficient resources were invested to strengthen its internal audit function by further optimizing the division of risk management, auditing and supervision functions of the Group's audit team, and also systematically develop those three lines of defense to improve the overall risk management effectiveness of each functional headquarters and operating units. The Group kept embedding the risk management to its daily operations and core value chain, during which, the Group made continuous improvement, particularly in areas such as procurement and supplier management, anti-fraud and IT, thus effectively safeguarding and promoting the sustainable and steady development of the Group.

BUSINESS AND OPERATION LAYOUT

During the Review Period, the Group's revenue was approximately RMB5,992,596,000, representing an increase of approximately 13.8% as compared with approximately RMB5,265,560,000 in the same period in 2017. During the Review Period, the domestic revenue of the Group was approximately RMB3,684,438,000, representing an increase of approximately 17.5% as compared with approximately RMB3,136,063,000 in the same period in 2017, mainly attributable to the growth in the sales of Japanese and Chinese brands in China. The Group's overseas revenue was approximately RMB2,308,158,000, and grew by approximately 8.4% as compared with approximately RMB2,129,497,000 in the same period in 2017, mainly due to the business growth of the Group's European customers such as Daimler and Volkswagen.

During the Review Period, the Group's new business intake maintained a steady growth. The Group made substantial progress in overseas business with Japanese and Korean OEMs. For the first time, the Group not only entered the headquarters of a Korean OEM in Korea by winning its trim business, but also secured the global orders from a Japanese OEM. As for European OEM businesses, while consolidating its market share in Europe, the Group proactively carried out business expansion in China and other overseas markets by successfully securing new business orders from the operations of a European luxury brand in China, as well as obtaining multiple new business orders from the global divisions of another European brand located in China, Europe, North America and South America. These actions successfully paved the way for the global expansion of the Group's business with European OEMs. As for Chinese OEM businesses, in close synchronization with the strategy adopted by Chinese OEMs to promote brand upgrading and international development, the Group continued its efforts in securing new business orders for Chinese OEMs, and assisted Chinese brands in their overseas development. During the Review Period, the Group obtained new business orders from the facilities of multiple Chinese OEMs in Malaysia and Thailand. Meanwhile, the Group persisted in body weight reduction, intelligent application and electrification as its development direction for new products, under which the Group achieved some good results. As for body weight reduction, the Group won new business orders from a European luxury brand customer for aluminum battery packs, obtained the first order for aluminum door frames, and secured the orders from an American OEM for roller shutters, which provided the Group with another new product offering for its aluminum business. Furthermore, the Group secured new business orders for automotive cameras from a Japanese OEM and a Chinese OEM during the Review Period, and tapped into new business for ACC emblems of multiple global OEMs, thus laying a solid foundation for the development of the Group's intelligent products.

The Group forged ahead with the optimization of its production layout. To facilitate the requirements of its global business development, the Group improved and realigned its product planning and production capacity, and implemented the scheme of mega sites with centralized and scale production. In addition, the Group focused on the optimization of mass-produced products to balance the production capacities of its manufacturing facilities around the world. During the Review Period, the Group launched the layout planning for production lines of battery packs and aluminum door frames in Serbia and the United Kingdom in response to the needs of customers and the globalization of the Group, and strategically built production lines for decorative parts in its US plant to optimize the production capacity. Besides expanding the Group's overseas business scale, these strategic layouts helped to enhance the competitive advantages of the Group's products. In line with the vision to continue expanding the capacity of its major factories, the Group built additional production lines for decorative parts in its plants in Tianjin and Qingyuan during the Review Period, and production lines for aluminum products were established in its Huai'an plant to meet the sustainable development requirements of the Group's global business.

During the Review Period, the Group continued to improve the management work of environment, health and safety ("EHS") based on the occupational health and safety and environmental management system. To build a "green and safe Minth", the Group constantly increased investments in treatment of water, gas, noise and slag, and strengthened the operation and control of pollutant treatment facilities, enabling the emission of pollutants to meet the standards in consistent and constant manner. In addition, the online pollutant monitoring equipment was installed to monitor the pollutant emission in real time. Under the improved emergency response mechanism of the Group, professional skills training was provided to emergency personnel and regular emergency drills were organized to improve the employees' emergency response ability. All employees of the Group were encouraged to participate in the EHS management, while the on-site operators were highly encouraged to partake in the formulation of hazard identification, risk assessment and control procedures. On the other hand, the line workers were encouraged to conduct on-the-spot investigation of potential safety hazards and report cases of "three violations". These initiatives ensured a good environment where "everyone is responsible for production safety". During the Review Period, a peer review on the EHS performance throughout the plants of the Group was performed to build a benchmark plant and practice the spirit of "competing, learning, pursuing and excelling", thereby enabling further improvement in the overall EHS performance of the Group. The EHS professional training was continuously launched to enhance the awareness and ability of the Group's employees to protect themselves, while the workplace conditions of the employees were constantly improved to safeguard their physical and mental health.

During the Review Period, a fire broke out in the afternoon of Sunday, 17 June 2018 in the production facility located in Jiaxing City, Zhejiang Province which is operated by the Company's wholly-owned subsidiary Jiaxing Minhui Automotive Parts Co., Ltd. (嘉興敏惠汽車零部件有限公司), and was extinguished just before night time. Due to the fire, two production lines and part of the production facilities of the Group were damaged, and the relevant production orders had been gradually transferred to other production facilities of the Group. There were no injuries or casualties in connection with the fire. The Group had taken immediate actions, including facilitating the investigation as well as notifying its insurers to assess the extent of losses. All assets of the Group are fully covered by the relevant insurance policies taken out by the Group. After the fire, the Group launched an emergency mechanism to ensure that all domestic and overseas orders would meet the delivery requirements of its customers, which also manifested the resilience and reliability of the Group's domestic and overseas production layouts as well as its ability and confidence to resolve crises. In light of the incident, the Group will review its emergency procedures and safety precautions. The Group is of the view that the fire incident did not cause any significant damage to its production and delivery of orders, or any material adverse impact on the Group's overall financial performance, sales and operations.

RESEARCH AND DEVELOPMENT

During the Review Period, the Group proceeded with its research on the innovation of product and technology. In terms of product innovation, the Group made significant progress in products involving body weight reduction, intelligent application and electrification, among which, the battery packs passed the technical review of a European luxury brand customer, and a Japanese OEM placed a global order with the Group for aluminum door frames. Meanwhile, the laser welded door frame technology won the recognition of more customers, followed by the Group's new business intake of concurrent design orders for multiple models. Furthermore, the Group initiated the first concurrent design project for ACC emblems, rear spoilers and pickup truck roller shutters. In terms of technical innovation, the Group made breakthroughs in the function, structure and manufacturing techniques of roof racks. In the meantime, substantial technological progress was made in both multiple high gloss finishes for stainless steel products and flanging technique. In terms of the processing and manufacturing technology of lightweight products, the Group established laboratories specialized in technical research and development in collaboration with domestic famous universities and senior international suppliers to continue and promote the research of production techniques and technological innovations. As for surface treatment technology, production techniques and manufacturing costs were optimized under the existing surface treatment standard in order to achieve cost competitiveness. In the meantime, the Group continued to step up its technical capabilities in new types of techniques for chrome plating, coating and anodizing. In particular, the Group increased its efforts in R&D for production techniques that satisfied requirements for various colors and high performance, and initiated the research on new ecofriendly anodizing techniques. As for the R&D of materials, the Group consolidated internal resources to optimize the R&D organization of plastic materials, further clarifying the development direction of plastic materials and increasing its efforts in R&D. In terms of R&D organization, the Product Design Center continued to strengthen its overseas allocation of personnel and local design services, while the master data management system and product data management system were both launched in the US, further improving the global concurrent design network. In terms of prototype development, the Group's capability of prototype development was further enhanced in that an independent company focusing on prototype development was established in Anji of Huzhou alongside the introduction of the world's leading high-pressure molding equipment, significantly shortening the development cycle and reducing development cost of moulds. As a result, the Group has further consolidated its prototype technology strength to drive continuous growth of its revenue.

Placing great emphasis on protecting its intellectual property rights, the Group has obtained the certification of the intellectual property rights protection system and has actively applied for international patents. During the Review Period, the Group filed 116 patent applications for approval, and 73 patents including one international patent were granted by competent authorities.

FINANCIAL REVIEW

	Six months ended 30 June 2018 RMB'000	Six months ended 30 June 2017 RMB'000
Revenue	**5,992,596**	5,265,560
Gross profit	**2,004,108**	1,778,468
Profit before tax	**1,192,722**	1,265,065
Income tax expense	**(174,402)**	(180,435)
Profit for the period attributable to:		
Owners of the Company	**985,774**	1,053,271
Non-controlling interests	**32,546**	31,359

RESULTS

During the Review Period, the Group's revenue was approximately RMB5,992,596,000, representing an increase of approximately 13.8% from approximately RMB5,265,560,000 in the same period of 2017. It was mainly driven by the growth in production and sales of the OEMs in China, as well as the business boom of the Group's customers in Europe.

During the Review Period, the profit attributable to owners of the Company was approximately RMB985,774,000, representing a decrease of approximately 6.4% from approximately RMB1,053,271,000 in the same period of 2017. It was mainly due to the fact that the Group booked much less gains from deemed disposal of a subsidiary and revenue from delivery of the real estate development project mainly for the Group's employee family housing during the Review Period, as compared to the same period of 2017, in addition to the grant of new share options.

SEGMENT REVENUE

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

Customer category	Six months ended 30 June 2018 RMB'000	%	Six months ended 30 June 2017 RMB'000	%
The PRC	**3,684,438**	**61.5**	3,136,063	59.6
North America	**1,195,243**	**19.9**	1,159,369	22.0
Europe	**820,912**	**13.7**	684,469	13.0
Asia Pacific	**292,003**	**4.9**	285,659	5.4
Total revenue	**5,992,596**	**100.0**	5,265,560	100.0

GROSS PROFIT

During the Review Period, the Group's overall gross profit margin was approximately 33.4%, representing a decrease of approximately 0.4% from approximately 33.8% in the same period of 2017. Such decrease during the Review Period was mainly due to the pressure from the Group's ASP decline of products for old models, price hike of raw materials and the depreciation of the US dollar ("USD") against RMB as compared to the same period in 2017. Therefore, the Group continued to enhance its efficiency of both production and management by adopting measures such as lean manufacturing and improvement of production layout, while proactively optimizing product mix and increasing gross margins in its plants in Mexico, 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 RMB32,535,000, representing a decrease of approximately RMB6,545,000 from approximately RMB39,080,000 in the same period of 2017. It was mainly due to the fact that, by contrast with the dividend income from the available-for-sale assets recognized in the same period of 2017, there was no such income recorded during the Review Period since the designated available-for-sale assets were fully sold out in 2017.

OTHER INCOME

During the Review Period, other income of the Group amounted to approximately RMB104,081,000, representing a decrease of approximately RMB58,596,000 from approximately RMB162,677,000 in the same period of 2017. It was mainly attributable to a decrease in revenue from the delivery of real estate development project mainly for the Group's employee family housing during the Review Period since such delivery of the real estate was almost completed in 2017.

OTHER GAINS AND LOSSES

During the Review Period, the Group's other gains and losses amounted to a net gain of approximately RMB26,142,000, representing a decrease of approximately RMB52,433,000 as compared to the net gain of approximately RMB78,575,000 in the same period of 2017. It was mainly attributable to the fact that there were no gains recorded during the Review Period as compared to gains from a former subsidiary becoming an associate in the same period in 2017, namely Jiangsu Min'an Electric Cars Co., Ltd.* (江蘇敏安電動汽車有限公司).

DISTRIBUTION AND SELLING EXPENSES

During the Review Period, the Group's distribution and selling expenses were approximately RMB235,581,000, representing an increase of approximately RMB26,665,000 from approximately RMB208,916,000 in the same period of 2017. It accounted for approximately 3.9% of the Group's revenue, representing a decrease of approximately 0.1% from approximately 4.0% in the same period of 2017. It was mainly attributable to the stringent control of the distribution and selling expenses by the Group despite its revenue growth, so that the proportion of such expenses to revenue decreased.

ADMINISTRATIVE EXPENSES

During the Review Period, administrative expenses of the Group amounted to approximately RMB417,765,000, representing an increase of approximately RMB63,447,000 from approximately RMB354,318,000 in the same period of 2017. It accounted for approximately 7.0% of the revenue of the Group, representing an increase of approximately 0.3% from approximately 6.7% in the same period of 2017. It was mainly attributable to the Group's grant of share options, an increase in labor costs as a result of raised staff salary to maintain its competitiveness in the case of increased revenue and scale, and an increase in taxes during the Review Period.

RESEARCH EXPENDITURES

During the Review Period, the research expenditures of the Group amounted to approximately RMB260,220,000, representing an increase of approximately RMB48,367,000 from approximately RMB211,853,000 in the same period of 2017. It accounted for approximately 4.3% of revenue of the Group, representing an increase of approximately 0.3% from approximately 4.0% in the same period of 2017. 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 its continuously increasing investment in R&D.

SHARE OF PROFITS OF JOINT VENTURES

During the Review Period, the Group's share of profits of joint ventures recorded a net loss of approximately RMB2,980,000, representing a decrease of approximately RMB7,677,000 as compared to a net gain of approximately RMB4,697,000 in the same period of 2017, which was mainly attributable to a decrease in profit from a joint venture and an increase in loss from another joint venture.

SHARE OF PROFITS OF ASSOCIATES

During the Review Period, the Group's share of profits of associates was approximately RMB4,712,000, representing a decrease of approximately RMB7,415,000 from approximately RMB12,127,000 in the same period of 2017. It was mainly attributable to an increase in share of loss of an associate which was transformed from a subsidiary of the Group in April 2017.

INCOME TAX EXPENSE

During the Review Period, the Group's income tax expense was approximately RMB174,402,000, representing a decrease of approximately RMB6,033,000 from approximately RMB180,435,000 in the same period of 2017.

During the Review Period, the effective tax rate was approximately 14.6%, representing an increase of approximately 0.3% from approximately 14.3% in the same period of 2017.

PROFITS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

During the Review Period, the Group's profits attributable to non-controlling interests were approximately RMB32,546,000, which was similar to approximately RMB31,359,000 in the same period of 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2018, the Group's total bank balances and cash amounted to approximately RMB4,495,457,000, representing an increase of approximately RMB645,856,000 compared to approximately RMB3,849,601,000 as of 31 December 2017. As of 30 June 2018, the Group's low-cost borrowings amounted to approximately RMB4,087,746,000, among which the equivalent of approximately RMB2,143,580,000, approximately RMB1,193,011,000, approximately RMB438,943,000, approximately RMB212,712,000 and approximately RMB99,500,000 were denominated in RMB, USD, Hong Kong Dollar ("HKD"), Euro ("EUR") and Thai Baht ("THB") respectively, representing an increase of approximately RMB1,594,172,000 as compared to approximately RMB2,493,574,000 as of 31 December 2017. It was mainly due to the amount that the Group borrowed after considering the consolidated gains from exchange rates, interest rates and capital.

During the Review Period, the net cash flow from the Group's operating activities was approximately RMB1,052,381,000, indicating a sound cash flow condition.

Trade receivables turnover days were approximately 83 days, which were the same as approximately 83 days for the same period of 2017.

Trade payables turnover days were approximately 74 days, increased by approximately 16 days from approximately 58 days for the same period of 2017, which was mainly attributable to the extended supplier payment cycle due to the Group's active negotiation with the suppliers.

Inventory turnover days were approximately 80 days, extended by approximately 14 days from approximately 66 days for the same period of 2017, which was mainly attributable to the impact of changes in the Group's accounting policies in accordance with new and amendments to Hong Kong Financial Reporting Standards, an increase in the mould inventory arising from the growing number of 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 2018, decreased by approximately 0.3 from approximately 1.8 as of 31 December 2017. As of 30 June 2018, the Group's gearing ratio was approximately 21.1% (31 December 2017: approximately 14.3%), which was a percentage based on the interest bearing borrowings divided by total assets.

Note: Notwithstanding the adoption of new HKFRSs since 1 January 2018, the calculation methods for the above indicators are the same as those set out in the Company's prospectus dated 22 November 2005, taking into account that bill receivables which were included in trade and other receivables, are reclassified as debt instruments at fair value through other comprehensive income in accordance with HKFRS 9 since 1 January 2018.

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

COMMITMENTS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	338,499	581,621

INTEREST RATE AND FOREIGN EXCHANGE RISKS

As of 30 June 2018, the balance of the Group's bank borrowings was approximately RMB4,087,746,000, of which RMB890,000,000 was bearing fixed interest rates, and approximately RMB3,197,746,000 was bearing floating interest rates. These borrowings had no seasonality features. In addition, approximately RMB1,348,421,000 of the said borrowings was denominated in currencies other than the functional currencies of the Group's related entities, of which the equivalent of approximately RMB696,766,000, approximately RMB438,943,000 and approximately RMB212,712,000 were denominated in USD, HKD and EUR 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 2018, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB1,222,349,000, of which approximately RMB1,112,008,000 was denominated in USD, approximately RMB52,653,000 was denominated in HKD, approximately RMB29,427,000 was denominated in Japanese Yen ("JPY"), approximately RMB23,136,000 was denominated in EUR, approximately RMB5,030,000 was denominated in Mexico Peso ("MXN"), the remainder of approximately RMB95,000 was denominated in other foreign currencies. In order to mitigate the foreign exchange risk, the Group has delegated a team responsible for the planning of related work.

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

CONTINGENT LIABILITIES

As of 30 June 2018, the Group had no contingent liabilities (31 December 2017: Nil).

MORTGAGED ASSETS

As of 30 June 2018, the Group had total borrowings of RMB300,000,000 and issued bill payables of approximately RMB66,918,000 due within 10 months, which were secured by bill receivables with par value of approximately RMB232,000,000 and bank deposits of USD25,320,000. The borrowings are to be settled in RMB (31 December 2017: the Group had borrowings of RMB304, 000,000 secured by bank deposits of RMB464,000,000).

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 RMB1,119,706,000 (the same period in 2017: approximately RMB1,077,146,000), which was attributable to the continuous expansion in scale of R&D and production under the objective of lean production and maximized profitability, as well as the Group's rational control over investments in fixed assets in accordance with the asset-light guidelines.

MATERIAL ACQUISITIONS AND DISPOSALS

On 27 June 2018, Jiaxing Yuting Properties Co., Ltd. ("Jiaxing Yuting"), an indirect wholly-owned subsidiary of the Company as seller, entered into an equity transfer agreement with Jiaxing Huazhuo Real Estate Co., Ltd. as buyer, to dispose of the entire registered capital of Jiaxing Yuhui Properties Co., Ltd., a company incorporated in the PRC with limited liability and wholly-owned by Jiaxing Yuting as at the date of agreement, at the consideration of approximately RMB46,677,000. Details of the disposal were set out in the Company's announcement dated 27 June 2018.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the Review Period.

EMPLOYEES

As of 30 June 2018, the Group had a total of 17,461 employees, increased by 1,101 as compared to that as of 31 December 2017. The increase was mainly due to the continuous revenue growth, the enhancement of R&D capabilities, the increase in new projects for global platform vehicles and preparation for the establishment of new facilities. During the Review Period, the Group built corporate culture consensus camps based on its core values to deepen employees' understanding of the Group's culture and enhance cohesion of its teams. To promote the global competitiveness of its employees, the Group launched a global recognition program based on character and contribution of its employees to reinforce the training program for allocating potential talents on a global scale, enhance cultural adaptation training and coaching before despatching, and stimulate the potentials of its employees. The Group initiated its preparation for the establishment of new plants in Europe, while optimizing regional and global management models to further enhance its organizational agility through organizational restructure which centers around its business expansion. On the other hand, the Group successfully completed the recruitment plan for junior college students and followed the proactive talent training initiative to build up a talent pool for the Group's global development.

During the Review Period, the holistic health development has become increasingly influential among employees of the Group due to further publicity. Combining with the offline courses and training programs offered by Humanities College, the Group's live streaming Humanities College of Minth Academy continues to provide its employees with comprehensive trainings, including parent-child education, energy management and spousal relationship management. The Eden Farm under the regional family program operated in South China Region of the Group allows its employees to access green food as well as physical and mental health training venues. At the same time, the Group further took effective measures to reduce occupational hazards at the working sites, strengthen employee occupational health management and knowledge education, and improve the working environment for its employees.

To attract talent, the Group explored different recruitment models for the talent supply chain. Meanwhile, it further enhanced support and governance for new business units and overseas regions, with a view to improving the operational efficiency of the Group's overseas plants. The Group continued to optimize and upgrade the global talent development system by mainly supporting the Group's business development and building a core talent supply chain. In addition, the Group will enhance the development of the functional units for employee health in its overseas operations through a series of "Holistic Health Development" programs to further empower its employees globally.

DIRECTORS

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

Executive Directors

Chin Jong Hwa *(Chairman and Chief Executive Officer)*
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. 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.

During the Review Period, the total number of Share Options the Company granted to the employees including the Directors amounted to 25,000,000 Share Options. As at the date of this report, the number of Share Options that could still be granted under the 2012 Share Option Scheme was 45,025,000 Share Options, representing approximately 3.93% of the 1,145,390,500 Shares in issue by the Company as at 21 August 2018, being the date of this report. Details are as follows:

Name and category of participants	Number of Share Options (Note 1) Outstanding as at 1 January 2018	Granted during the Review Period	Exercised during the Review Period	Cancelled/ Lapsed during the Review Period	Outstanding as at 30 June 2018	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	100,000	–	100,000	–	–	16-1-2014	1-6-2014 to 31-5-2019	15.84	48.30
	700,000	–	200,000	–	500,000	25-3-2015	1-1-2016 to 31-12-2020	14.08	48.30
	–	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	Number of Share Options (Note 1) Outstanding as at 1 January 2018	Granted during the Review Period	Exercised during the Review Period	Cancelled/ Lapsed during the Review Period	Outstanding as at 30 June 2018	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)
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	N/A
	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	2,750,000	1,520,000	300,000	–	3,970,000				
Other Participants									
	2,785,500	–	774,000	–	2,011,500	16-1-2014	1-6-2014 to 31-5-2019	15.84	44.86
	13,557,100	–	3,743,600	–	9,813,500	25-3-2015	1-1-2016 to 31-12-2020	14.08	44.76
	–	23,480,000	–	–	23,480,000	10-4-2018	1-4-2019 to 31-12-2023	37.60	N/A
Subtotal	16,342,600	23,480,000	4,517,600	–	35,305,000				
Total	19,092,600	25,000,000	4,817,600	–	39,275,000				

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 for five years four months and fifteen days. If the grantees' period of service within the Company is or more than one year as of 1 June 2014, the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 1 June 2014; (ii) up to a further 30% of the Share Options granted on or after 1 June 2015; and (iii) all of the remaining Share Options granted on or after 1 June 2016. If the grantees' period of service within the Company is less than one year as of 1 June 2014, the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 1 June 2015; (ii) up to a further 30% of the Share Options granted on or after 1 June 2016; and (iii) all of the remaining Share Options granted on or after 1 June 2017. The option period for the Share Options granted on 25 March 2015 is for 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 for 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, 4,817,600 Share Options were exercised by the grantees of the 2012 Share Option Scheme. For the fair value of the Share Options granted, please refer to note 21 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 21 to the condensed consolidated financial statements.

FUTURE PROSPECTS AND STRATEGIES

Given generally stable economic development in China during the Review Period, the added value of industrial enterprises above the designated size across the country increased by approximately 6.7% on a year-on-year basis, and the structural overcapacity was further slashed, delivering remarkable results in the supply-side reform. However, as to global market environment, given frequent global trade frictions, the international multilateral trading system was exposed to serious challenges, and China will also face challenges in a more complicated external environment, bringing more uncertainties to the prospect for the second half of 2018. In March 2018, the United States sounded the trumpet call for a trade war and proposed the imposition of punitive tariffs on Chinese products. The United States announced that it would impose a 25% tariff on Chinese exports amounting to an annual trade value of about US$34 billion with effect from 6 July 2018. Following completion of the legal procedures, the tariff coverage was extended to an annual trade value of US$50 billion of Chinese exports. On 10 July 2018, the Office of the United States Trade Representative ("USTR") initiated the procedure of imposing additional tariffs on another series of products from China amounting to an annual trade value of US$200 billion, which involved the Group's products exported to the United States. The USTR is conducting public consultation on the issue of imposing additional tariffs for the time being, and the Group is temporarily unable to assess the potential impact of the proposed tariffs on the Group. The management of the Group will closely monitor the progress of such matters, and continue to maintain active communications with its customers. To cope with the impact arising from the trade frictions between China and the US, the Group initiated the process of customers' approval in 2017 regarding the production translocation of some products to Thailand, which were originally produced in China and exported to the US. The translocation is now being smoothly carried out. In the meantime, the organizational structure of the Group's plants in Thailand was optimized, with its management authority being taken over by South China Region of the Group, so that the capabilities of operational management and customer response of the overseas plants could be further enhanced. In addition, to mitigate the potential adverse impacts brought by the proposed tariffs against the Group, the Group will continue exercising stringent control over various costs and expenses, while enhancing its competitive advantage and its profitability by effectively adopting various methods, including boosting production efficiency and equipment lifespan, as well as improving product yield. On the other hand, the Group will strategically expand the capacity of its overseas manufacturing bases to reduce logistics costs and the potential impact arising from the volatile international political environment. As to macro-policy, China issued the guiding policies, including the

"Announcement on Reducing Import Tariffs on Vehicles and Automotive Parts" (《關於降低汽車整車及零部件進口關稅的公告》), "Regulations On Investment Management of Automotive Industry (Consultation Paper)" (《汽車產業投資管理規定(徵求意見稿)》), "Notice on Several Measures for Active and Effective Use of Foreign Capital to Promote High-Quality Development" (《關於積極有效利用外資推動高質量發展若干措施的通知》), and "National Guidelines on the Establishment of Industry Standard System for Internet of Vehicles" (《國家車聯網產業標準體系建設指南》). Besides confronting the competition in the international market in a more open approach, these guidelines will promote the automotive industry to optimize its industrial layout and standardize the management of investments in the industrial chain, and accelerate the development of new technologies and new products, such as self-driving and internet of vehicles, thereby guiding the automotive industry to shift from a market with products based on traditional fuel vehicles to a market based on electrified and intelligent applications. OEMs accelerate the enhancement of product competitiveness and commercialization, and the collaborative development strategy becomes a countermeasure for many automotive companies. In the future, the automotive industry will face increasingly intense competition.

China's passenger vehicle market is expected to maintain a slow growth in the second half of 2018. China, as the world's largest single market for the time being, continues to be the core of the global automotive market and the strategic focus of the global mainstream automotive companies. Along with the expansion of the market scale, the user demand will also be more subdivided, while OEMs will have to facelift and optimize its models based on local market demands to introduce more crossover models. As SUV models continue to be a battleground contested by all business strategists, OEMs will roll out more styles and functions for consumers, but sales of SUV is expected to witness a slowing growth. As China's automotive market is approaching towards the high-end market, luxury brands will lower the pricing threshold and launch more entry-level models in pursuit of diversification. Against such backdrop, Chinese brands will introduce new brands and more cost-effective models through cooperation.

The global traditional automotive market is expected to maintain a slight growth in the second half of 2018, and vehicle popularization continues to improve globally. The continued growth of the population in emerging markets will effectively drive up the automobile consumption, being the driving force for growth in global automobile consumption. Mature markets are expected to remain almost the same as in previous years, among which, countries such as the United States and the United Kingdom may be susceptible to fluctuations in automotive sales due to political factors. As for strategic planning, the United States, Europe and Japan are currently active in restructuring the self-driving and intelligent transportation systems. New energy vehicles, intelligent and internet-connected technologies, self-driving and car sharing have undoubtedly become major disruptive forces in the global automotive industry, and will certainly have a profound impact on the development of the industry, including the direction of future technological development and innovation, as well as the industrial chain and business model of the automotive industry. In synchronization with the continuous development of the global automotive industry, the suppliers of automotive parts are required to become more globalized. The globalization process will help companies mitigate the cyclical impact brought by a single market in the future, and also build closer partnership with OEMs.

While paying close attention to the changes in the automotive industry, the Group will capitalize on the development opportunities of the global industry in accordance with national policies related to new energy vehicles, and implement strategic arrangements based on the development trend of body weight reduction, intelligent application and electrification. On the one hand, the Group will make full use of its advantages to enhance the global market share of traditional products, and on the other hand provide customers with innovative products and solutions through continuous self-innovation, and facilitate its improvement in module supply capabilities of its products through technology upgrades. Furthermore, through active communications with customers, the Group will strive to accurately grasp the development direction of new products and new technologies, seize innovation opportunities of new products and new technologies, and continuously develop new business areas for automotive parts, thereby providing a new driver for the stable growth of the Group's revenue in the long run and continuing to safeguard the Group's profitability.

The Group will further improve its global operation layout to balance global production capacity, fully promote the launch and implementation of "Minth Lean Operation System" to strengthen its lean operation capability, especially the operating capability of overseas plants. Duplication of the successful management experience of domestic plants to overseas plants will equip the Group with sufficient competitive edges in the process of globalization. Striving to become a benchmark in the automotive parts industry, the Group will observe the main principle of lean operation to establish project teams by business units based on "core product + core technology", and gradually identify the best practices for its core product lines and core production techniques to constantly improve its overall production and operation efficiency.

In response to different competitive environments, automotive emission requirements and clean energy development strategies in various countries, OEMs have formulated corresponding development plans and strategic layouts of their vehicle models. To be specific, some have selectively exited several markets, while some are actively exploring partnership to achieve mutual development by giving full play to their respective strengths. New vehicle manufacturers in China are constantly emerging and growing to achieve mass production in various ways, such as mergers and acquisitions or joint ventures, as a result of which, the industrial structure and the upstream and downstream supply chain is being altered. The user experience which focuses on internet attributes has been brought by technology-enabled companies to the automotive industry. Intelligent and entertainment technologies have also gradually become the selling points in the market competition, all indicating an increasing intensified competition in the automotive industry.

In the era of opportunities and challenges, the Group will integrate its innovative technologies and business teams to further exploit business opportunities by adjusting its organizational and operational models. In addition, the Group will continue to pay attention to the changes in the vehicle manufacturing landscape, while deepening its understanding of the changes in development strategies and product requirements of the customers to keep abreast of the development of new brands. Furthermore, the Group will offer more solutions and customized services to the OEMs through refining its core techniques and optimizing its product design. Meanwhile, the Group will continue technology innovation applied to its new products and strive to proactively cooperate with its customers in product development so as to gain customer recognition and achieve scale development. By continuing to improve the global production layout, the Group will succeed in advancing towards the objective of becoming a world-leading supplier of automotive parts.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (the same period in 2017: nil).

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, 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:

Number 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)	39.30%
Minth Holdings Limited ("Minth Holdings")	Beneficial owner	Long position	450,072,000 (Note 3)	39.30%
Commonwealth Bank of Australia	Interest of controlled corporations	Long position	81,676,299 (Note 4)	7.13%
Matthews International Capital Management, LLC	Investment manager	Long position	80,763,000	7.05%
Orient Securities Company Limited (東方證券股份有限公司)	Beneficial owner	Long position	7,444,000	0.65%
	Interest of controlled corporations	Long position	50,637,260 (Note 5)	4.42%

Note 1: The percentage of the Company's issued share capital is based on the 1,145,361,500 Shares issued as at 30 June 2018.

Note 2: As at 30 June 2018, 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 2018, Minth Holdings, a company wholly-owned by Mr. Chin, was beneficially interested in 450,072,000 Shares.

Note 4: As at 30 June 2018, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, these Shares were held by corporations controlled directly or indirectly as to 100% by Commonwealth Bank of Australia.

Note 5: As at 30 June 2018, 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 Orient Securities Company Limited (東方證券股份有限公司).

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 2018, 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)	39.30%
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	650,000 (Note 5)	0.06%

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)
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 1,145,361,500 Shares issued as at 30 June 2018.

Note 2: As at 30 June 2018, 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) 650,000 Share Options granted to Mr. Bau Hsin Hong ("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 2018, 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

As announced by the Company on 27 April 2017 and 10 August 2017, Mr. Chin, an executive Director, resumed his duties as Chairman of the Board and assumed the duties of the Group's chief executive officer on 10 August 2017 following the transition of such role from Mr. Shi Jian Hui, the Group's previous executive Director and chief executive officer who resigned with effect from the same date.

Whilst the roles of chairman and chief executive should be separate and should not be performed by the same individual pursuant to Code Provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code"), the above arrangement is a deviation from such CG Code requirement. However, Mr. Chin has taken up the responsibility to shoulder up leadership of the Group as the Group continues to search for a suitable chief executive officer. Given the challenging times in the automotive market and the extensive experience of Mr. Chin in both the automotive market and the Group's operations, the Board strongly believes that guidance from Mr. Chin through his continuing leadership as Chairman of the Board and his ability to drive the Group's operations through his role as the chief executive officer would be invaluable to ensure the continual success of the Group.

Indeed vesting both roles in Mr. Chin will also enable more effective and efficient overall strategic planning and implementation of such plans by the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

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

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

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 and 2017 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 fixed to commence on 14 October 2019 (with 25 days reserved).

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 2018 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 2018

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 39 to 100, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	**RMB'000**	RMB'000
Revenue	3	**5,992,596**	5,265,560
Cost of sales		**(3,988,488)**	(3,487,092)
Gross profit		**2,004,108**	1,778,468
Investment income	4	**32,535**	39,080
Other income	5	**104,081**	162,677
Other gains and losses	6	**26,142**	78,575
Distribution and selling expenses		**(235,581)**	(208,916)
Administrative expenses		**(417,765)**	(354,318)
Research expenditures		**(260,220)**	(211,853)
Interest expenses		**(62,310)**	(35,472)
Share of profits of joint ventures		**(2,980)**	4,697
Share of profits of associates		**4,712**	12,127
Profit before tax		**1,192,722**	1,265,065
Income tax expense	7	**(174,402)**	(180,435)
Profit for the period	8	**1,018,320**	1,084,630
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**15,232**	37,983
Fair value (loss) gain on:			
available-for-sale investments		**–**	47,396
debt instruments measured at fair value through other comprehensive income		**(1,839)**	–
Income tax relating to items that may be reclassified to profit or loss		**–**	(7,109)
Other comprehensive income for the period (net of income tax)		**13,393**	78,270
Total comprehensive income for the period		**1,031,713**	1,162,900

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Note	**RMB'000**	RMB'000
Profit for the period attributable to:			
Owners of the Company		**985,774**	1,053,271
Non-controlling interests		**32,546**	31,359
		1,018,320	1,084,630
Total comprehensive income for the period attributable to:			
Owners of the Company		**999,268**	1,130,784
Non-controlling interests		**32,445**	32,116
		1,031,713	1,162,900
Earnings per share	10		
Basic		**RMB0.862**	RMB0.929
Diluted		**RMB0.854**	RMB0.919

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	11	**7,179,773**	6,246,257
Prepaid lease payments		**742,650**	745,002
Goodwill		**97,505**	83,228
Other intangible assets		**68,202**	49,978
Interests in joint ventures		**97,720**	105,768
Interests in associates		**359,713**	355,001
Loan receivables	12	**6,000**	6,021
Derivative financial assets	16	**391**	30,507
Deferred tax assets		**103,936**	104,962
Prepayment for acquisition of property, plant and equipment		**152,610**	255,826
Prepayment for acquisition of a subsidiary		**–**	69,195
Contract assets	14A	**438,370**	–
Contract costs		**28,239**	–
		9,275,109	8,051,745
Current assets			
Prepaid lease payments		**19,092**	18,911
Inventories		**1,854,440**	2,077,761
Loan receivables	12	**11,450**	20,816
Property under development	13	**17,401**	55,352
Trade and other receivables	14B	**3,762,366**	4,017,330
Derivative financial assets	16	**46,702**	1,202
Debt instruments at fair value through other comprehensive income		**432,683**	–
Pledged bank deposits		**187,836**	16,244
Bank balances and cash		**4,495,457**	3,849,601
		10,827,427	10,057,217

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Current liabilities			
Trade and other payables	17	**2,912,610**	2,890,107
Tax liabilities		**121,083**	133,237
Borrowings	18	**4,087,746**	2,493,574
Contract liabilities		**59,227**	–
Derivative financial liabilities	16	**11,995**	25,737
		7,192,661	5,542,655
Net current assets		**3,634,766**	4,514,562
Total assets less current liabilities		**12,909,875**	12,566,307
Capital and reserves			
Share capital	19	**114,823**	114,425
Share premium and reserves		**12,267,832**	11,998,709
Equity attributable to owners of the Company		**12,382,655**	12,113,134
Non-controlling interests		**289,823**	284,971
Total equity		**12,672,478**	12,398,105
Non-current liabilities			
Deferred tax liabilities		**59,064**	48,265
Retirement benefit obligations		**16,811**	15,646
Derivative financial liabilities	16	**–**	2,879
Other long-term liabilities	20	**161,522**	101,412
		237,397	168,202
		12,909,875	12,566,307

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve fund RMB'000	Enterprise expansion fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Share options reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017 (audited)	113,532	3,623,811	276,199	45,316	353,494	13,120	28,957	(188,474)	82,409	6,249,150	10,597,514	258,192	10,855,706
Profit for the period	–	–	–	–	–	–	–	–	–	1,053,271	1,053,271	31,359	1,084,630
Other comprehensive income for the period	–	–	–	–	–	–	40,287	37,226	–	–	77,513	757	78,270
Total comprehensive income for the period	–	–	–	–	–	–	40,287	37,226	–	1,053,271	1,130,784	32,116	1,162,900
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	5,442	–	5,442	–	5,442
Dividend declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(29,839)	(29,839)
Transfer to reserve fund	–	–	–	–	71,166	17,495	–	–	–	(88,661)	–	–	–
Transfer to other reserve for share options forfeited after the vesting date	–	–	–	523	–	–	–	–	(523)	–	–	–	–
Dividends recognised as distribution (note 9)	–	–	–	–	–	–	–	–	–	(676,043)	(676,043)	–	(676,043)
Exercise of share options	726	134,636	–	–	–	–	–	–	(26,844)	–	108,518	–	108,518
At 30 June 2017 (unaudited)	114,258	3,758,447	276,199	45,839	424,660	30,615	69,244	(151,248)	60,484	6,537,717	11,166,215	260,469	11,426,684

	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	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 (see note 2)	–	–	–	–	–	–	(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(note 25)	–	–	–	–	–	–	–	–	–	–	–	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

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

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

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

The investment revaluation reserve as of 30 June 2017 and the period then ended represents the changes in fair value net of tax of available-for-sale financial assets of the Group, which had been fully disposed as of 31 December 2017. The fair value through other comprehensive income ("FVTOCI") reserve as of 30 June 2018 and the period then ended represents the changes in fair value of bill receivables which was measured as debt instruments at FVTOCI upon the adoption of HKFRS 9 as detailed in note 2 to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
NET CASH FROM OPERATING ACTIVITIES	**1,052,381**	760,662
NET CASH USED IN INVESTING ACTIVITIES:		
Proceeds on redemption of other financial assets and derivative financial instruments	**11,313,001**	9,276,587
Investment in other financial assets and derivative financial instruments	**(11,313,079)**	(9,230,761)
Interest received	**88,536**	33,877
Dividend received from a joint venture	**10,000**	5,000
Proceeds on disposal of property, plant and equipment	**56,313**	24,602
Proceeds on disposal of other intangible assets	**–**	1,036
Repayment from associates	**20,837**	17,427
New pledged bank deposits placed	**(166,455)**	(23,199)
Release of pledged bank deposits	**–**	11,505
Payment made for land use rights	**–**	(90,616)
Purchases of property, plant and equipment	**(1,119,706)**	(986,530)
Acquisition of a subsidiary (note 25)	**49,100**	–
Disposal of a subsidiary (note 26)	**18,664**	(19,832)
Purchases of other intangible assets	**(17,381)**	(35,359)
Investment made to an associate	**–**	(4,112)
Investment made to a joint venture	**(7,623)**	(11,022)
Liquidation of a joint venture	**2,691**	–
	(1,065,102)	(1,031,397)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
NET CASH FROM FINANCING ACTIVITIES:		
Repayment of borrowings	**(1,896,773)**	(857,281)
Dividends paid to owners of the Company	**(794,813)**	(676,043)
Dividends paid to non-controlling shareholders	**(71,564)**	(29,839)
Interest paid	**(61,301)**	(35,472)
New borrowings raised	**3,448,796**	1,875,568
Acquisition of additional interests in a subsidiary	**(91,507)**	–
Deemed acquisition from non-controlling interest	**(10,294)**	–
Proceeds from exercise of share options	**57,262**	108,518
Loan from government (note 20)	**60,000**	100,000
	639,806	485,451
Net increase in cash and cash equivalents	**627,085**	214,716
Cash and cash equivalents at 1 January	**3,849,601**	2,939,723
Effect of foreign exchange rate changes	**18,771**	58,963
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	**4,495,457**	3,213,402

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 value, 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 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

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 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Hong Kong International Financial Reporting Interpretations Committee – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations. The Group recognises revenue from the design, development, manufacture, processing and sales of automobile body parts and moulds.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group recognises revenue at a certain point in time when there is persuasive evidence that the control of the products have been transferred to the customer, the customer has adequate control over the product and the group has no unfulfilled obligations that affect customer acceptance products.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (including sales of products and development of moulds), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

2.1.2 Summary of effects arising from initial application of HKFRS 15

For most of the Group's products (automobile body parts and moulds), transfer of control occurs upon shipment or delivery, however, a number of the Group's customer contracts contain an integration of product process and mould development. For these contracts, mould development is recognised as a separate performance obligation and recognised as revenue other than sales of automobile body parts when the relevant development work is completed. The following table summarises the impact of transition to HKFRS 15 on retained profits at 1 January 2018.

	Impact of adopting HKFRS 15 at 1 January 2018 RMB'000
Retained profits	
Contracts with multiple performance obligations	**78,912**
Tax effects	**(14,836)**
Impact at 1 January 2018	**64,076**

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017	Reclassification	Remeasurement	Carrying amounts under HKFRS 15 at 1 January 2018*
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets					
Contract assets	(a)	–	–	420,688	420,688
Deferred tax assets		104,962	–	(13,090)	91,872
Current Assets					
Inventories	(a)	2,077,761	–	(332,590)	1,745,171
Current Liabilities					
Trade and other payables	(b)	2,890,107	(48,386)	–	2,841,721
Contract liabilities	(b)	–	48,386	–	48,386
Capital and Reserves					
Share premium and reserves	(c)	11,998,709	–	64,076	12,062,785
Non-controlling interests	(c)	284,971	–	9,186	294,157
Non-current liabilities					
Deferred tax liabilities	(c)	48,265	–	1,746	50,011

* The amounts in this column are before the adjustments from the application of HKFRS 9.

(a) At the date of initial application, mould development is regarded as a separate performance obligation other than sales of automobile body parts pursuant to respective contracts. Hence, the revenue arising from mould development is recognised when the development work being completed and contract assets is recognised prior to the right to consideration becoming unconditional.

(b) As at 1 January 2018, advances from customers in relation to those contracted obligations to delivery of products were reclassified to contract liabilities.

(c) The net effects arising from the initial application of HKFRS 15 resulted in increase in the carrying amounts of corresponding deferred taxation, retained profits and non-controlling interests.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	Note	**As reported**	**Adjustments**	**Amounts without application of HKFRS 15**
		RMB'000	RMB'000	RMB'000
Non-current Assets				
Contract assets		438,370	(438,370)	–
Contract costs	(d)	28,239	(28,239)	–
Deferred tax assets		103,936	15,187	119,123
Current Assets				
Inventories		1,854,440	287,761	2,142,201
Current Liabilities				
Trade and other payables		2,912,610	59,227	2,971,837
Contract liabilities		59,227	(59,227)	–
Capital and Reserves				
Share premium and reserves		12,267,832	(145,867)	12,121,965
Non-controlling interests		289,823	(10,139)	279,684
Non-current liabilities				
Deferred tax liabilities		59,064	(7,655)	51,409

Impact on the condensed consolidated statement of profit and loss and other comprehensive income

	Notes	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 RMB'000
Continuing operation				
Revenue	(e)	5,992,596	(17,682)	5,974,914
Cost of sales		(3,988,488)	(44,829)	(4,033,317)
Gross profit		2,004,108	(62,511)	1,941,597
Distribution and selling expenses	(d)	(235,581)	(28,239)	(263,820)
Profit before tax		1,192,722	(90,750)	1,101,972
Income tax expense		(174,402)	8,006	(166,396)
Profit for the period		1,018,320	(82,744)	935,576
Profit for the period attributable to:				
Owners of the Company		985,774	(81,791)	903,983
Non-controlling interests		32,546	(953)	31,593

(d) The Group recognised contract costs in relation to those payments for obtaining products supply contracts with customers, which is expected to be recovered.

(e) Under HKAS 18, the Group did not separately recognise revenue for moulds development in relation to the integrated contracts of mould development and automobile body parts sales. Upon application of HKFRS 15, the mould development is regarded as a separate performance obligation other than the delivery of automobile body parts. Hence, the revenue is recognised when the development of moulds is completed. This change in accounting policies resulted in an increase of revenue by RMB17,682,000 for the period ended 30 June 2018.

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments and the related amendments

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and contract assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan receivables and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

Classification and measurement of financial liabilities

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Derivative financial assets/ liabilities	Debt instruments at FVTOCI	Amortised cost (previously classified as loans and receivables)	Financial liabilities at amortised cost	Contract assets	FVTOCI reserve	Retained profits	Non-controlling interests
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Closing balance at 31 December 2017 – HKAS 39		3,093	–	7,323,184	(5,004,963)	–	–	(7,406,767)	–
Effect arising from initial application of HKFRS 15		–	–	–	–	420,688	–	(64,076)	(9,186)
Effect arising from initial application of HKFRS 9:									
Reclassification									
From loans and receivables	(a)	–	339,232	(345,132)	–	–	5,900	–	–
Remeasurement									
Impairment under ECL model	(b)	–	–	(6,044)	–	–	–	6,044	–
Opening balance at 1 January 2018		3,093	339,232	6,972,008	(5,004,963)	420,688	5,900	(7,464,799)	(9,186)

(a) Loans and receivables

As part of the Group's cash flow management, the Group has the practice of discounting/endorsing some of the discounts bills receivables to financial institutions before the bills are due for payment and derecognises bills discounted on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, the Group's bills receivables were considered as within the hold to collect contractual cash flows and to sell business model, and reclassified to debt instruments at FVTOCI. The related fair value losses of RMB5,900,000 was adjusted to debt instruments at FVTOCI and other comprehensive income as at 1 January 2018.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. To measure the ECL, contract assets and trade receivables have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables and loan receivables, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition. Pledged bank deposits and bank balances are subject to ECL model but the impairment is immaterial.

The Group's debt instruments at FVTOCI are bills receivables that are issued by banks with high credit rating. Therefore, these bills receivables are considered to be at low credit risk and the loss allowance is measured on 12m ECL basis.

All loss allowances for financial assets including trade and other receivables, and debt instruments at FVTOCI as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade receivables
	RMB'000
At 31 December 2017 – HKAS 39	2,896,830
Amounts remeasured through opening accumulated profits	(6,044)
At 1 January 2018	2,890,786

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	31 December 2017 (Audited) RMB'000	HKFRS 15 RMB'000	HKFRS 9 RMB'000	1 January 2018 (Restated) RMB'000
Non-current Assets				
Contract assets	–	420,688	–	420,688
Deferred tax assets	104,962	(13,090)	–	91,872
Others with no adjustments	7,946,783	–	–	7,946,783
	8,051,745	407,598	–	8,459,343
Current Assets				
Inventories	2,077,761	(332,590)	–	1,745,171
Trade and other receivables	4,017,330	–	(351,176)	3,666,154
Debt instruments at FVTOCI	–	–	339,232	339,232
Others with no adjustments	3,962,126	–	–	3,962,126
	10,057,217	(332,590)	(11,944)	9,712,683
Current Liabilities				
Trade and other payables	2,890,107	(48,386)	–	2,841,721
Contract liabilities	–	48,386	–	48,386
Others with no adjustments	2,652,548	–	–	2,652,548
	5,542,655	–	–	5,542,655
Net current assets	4,514,562	(332,590)	(11,944)	4,170,028
Total assets less current liabilities	12,566,307	75,008	(11,944)	12,629,371
Capital and Reserves				
Share capital	114,425	–	–	114,425
Share premium and reserves	11,998,709	64,076	(11,944)	12,050,841
Equity attributable to owners of the Company	12,113,134	64,076	(11,944)	12,165,266
Non-controlling interests	284,971	9,186	–	294,157
Total equity	12,398,105	73,262	(11,944)	12,459,423
Non-current liabilities				
Deferred tax liabilities	48,265	1,746	–	50,011
Others with no adjustments	119,937	–	–	119,937
	168,202	1,746	–	169,948
	12,566,307	75,008	(11,944)	12,629,371

3. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are design, development, manufacture, processing and sales of automobile body parts and moulds. All of the Group's revenue is recognised at a point in time during the six months ended 30 June 2018.

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

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 profits 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

For the six months ended 30 June 2017 (unaudited)

	The PRC RMB'000	North America RMB'000	Europe RMB'000	Asia Pacific RMB'000	Consolidated RMB'000
SEGMENT REVENUE					
External sales	3,136,063	1,159,369	684,469	285,659	5,265,560
Segment profit	1,026,874	337,008	286,447	96,287	1,746,616
Investment income					39,080
Other unallocated income and gains and losses					273,104
Unallocated expenses					(775,087)
Interest expenses					(35,472)
Share of profits of joint ventures					4,697
Share of profits of associates					12,127
Profit before tax					1,265,065
Income tax expense					(180,435)
Profit for the period					1,084,630

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 for the purposes of resource allocation and performance assessment.

4. INVESTMENT INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on bank deposits	**32,127**	33,563
Interest on loan receivables	**408**	314
Dividends from listed equity securities	**–**	5,203
Total	**32,535**	39,080

5. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Government grants (note)	**79,803**	83,063
Service and consultation income	**1,795**	3,215
Sales of scrap and raw materials	**11,772**	17,646
Property rental income	**3,633**	3,405
Sale of property developed	**446**	47,640
Others	**6,632**	7,708
Total	**104,081**	162,677

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 involving in hi-tech know-how industry. The government grants have been approved by and received from the PRC local government authorities at the end of the reporting period.

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net foreign exchange losses	**(13,825)**	(8,048)
Fair value changes of derivative financial instruments	**1,406**	(16,891)
Fair value changes of financial instruments designated as FVTPL	**30,378**	28,207
Reversal of (recognised) loss allowance on trade and other receivables	**7,462**	(31,852)
Gain on disposal of a subsidiary (note 26)	**5,814**	103,821
(Loss) gain on disposal of property, plant and equipment	**(6,235)**	6,930
Impairment loss reversed (recognised) on property, plant and equipment	**1,142**	(3,592)
Total	**26,142**	78,575

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax:		
Hong Kong	**–**	–
PRC Enterprise Income Tax	**217,373**	237,607
	217,373	237,607
Over provision in prior years:		
PRC Enterprise Income Tax	**(32,820)**	(42,941)
Deferred tax:		
Current period credit	**(10,151)**	(14,231)
	174,402	180,435

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

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%.

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	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Depreciation of property, plant and equipment	**281,717**	227,549
Amortisation of other intangible assets (included in cost of sales, administrative expenses and research expenditures)	**11,529**	7,811
Total depreciation and amortisation	**293,246**	235,360
Cost of inventories recognised	**3,988,488**	3,487,092
Write-down of inventories	**4,631**	15,846
Reversal of inventories provision	**(932)**	(20,746)

9. DIVIDENDS

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Dividends recognised as distribution during the period: 2017 Final – HK$0.85 (2016: final dividend HK$0.68) per share	**794,813**	676,043

On 20 June 2018, a dividend of HK$0.85 per share was paid to shareholders as the final dividend for 2017 (on 20 June 2017, a dividend of HK$0.68 per share was paid to shareholders as the final dividend for 2016).

The directors of the Company have determined that no dividend will be proposed in respect of the interim period (2017 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	
	2018 **(Unaudited)** **RMB'000**	2017 (Unaudited) RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**985,774**	1,053,271
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,144,131**	1,133,867
Effect of dilutive share options (note)	**10,021**	12,774
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,154,152**	1,146,641

Note: Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share 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

During the current interim period, the Group spent RMB1,315,026,000 (RMB881,841,000 for the six months ended 30 June 2017) 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 research & development and manufacturing capabilities.

During the current interim period, property, plant and equipment amounting to RMB196,345,000 was disposed of, mainly due to a fire broke out in the production facility of the Company's wholly-owned subsidiary Jiaxing Minhui Automotive Parts Co., Ltd. (嘉興敏惠汽車零部件有限公司) happened in June 2018. Loss of damage from the fire broke out after deducting estimated insurance coverage and disposal of property, plant and equipment amounting to RMB 6,235,000 has been recognised (for the six months ended 30 June 2017: Property, plant and equipment amounting to RMB89,587,000 was disposed of due to the regular improvement and upgrade of the production facilities and gain of RMB6,930,000 had been recognised).

During the current interim period, RMB1,142,000 impairment loss has been reversed due to the reusing of the idle equipment (RMB3,592,000 for the six months ended 30 June 2017 has been recognised).

12. LOAN RECEIVABLES

The loan receivables are due from an associate of the Group and a third party respectively, with maturity dates from 19 April 2019 to 13 December 2020 and carry fixed rates ranging from 0% to 6.18% per annum.

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Analysed for reporting purposes as		
Current assets	**11,450**	20,816
Non-current assets	**6,000**	6,021
	17,450	26,837

Details of the impairment assessment are set out in Note 15.

13. PROPERTY UNDER DEVELOPMENT

Property under development is located in Jiaxing City, Zhejiang Province, the PRC, which is residential property being developed to be sold upon completion.

During the current interim period, property under development amounting to RMB2,959,000 was completed and sold, RMB49,586,000 has been disposed due to the disposal of a subsidiary, Jiaxing Yuhui Properties Co., Ltd. ("Jiaxing Yuhui"). Details of the disposal are set out in Note 26.

14A. CONTRACT ASSETS

	At 30 June 2018 (Unaudited) RMB'000
Moulds development – Non current	438,370

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.

14B. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Trade receivables		
– associates	25,107	13,242
– joint ventures	10,105	11,962
– non-controlling shareholders of subsidiaries	1,366	474
– third parties	2,772,433	2,893,189
Less: allowance for doubtful debts	(21,330)	(22,037)
	2,787,681	2,896,830
Bill receivables	–	345,132
Other receivables		
– associates	1,432	640
– joint ventures	2,434	327
– third parties	132,671	113,754
Less: allowance for doubtful debts	(4,750)	(5,045)
	131,787	109,676
Prepayments	516,154	422,510
Prepaid expenses	18,049	13,590
Value-added tax recoverables	207,448	150,729
Insurance recoverables for loss of property, plant and equipment	46,495	–
Receivable on disposal of a subsidiary	28,006	–
Refundable guarantee deposits	22,646	18,762
Interest receivables	4,100	60,101
Total trade and other receivables	3,762,366	4,017,330

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

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Age		
0–90 days	**2,632,319**	2,793,260
91–180 days	**115,362**	75,823
181–365 days	**33,589**	17,449
1–2 years	**2,342**	10,298
Over 2 years	**4,069**	–
	2,787,681	2,896,830

Details of the impairment assessment are set out in Note 15.

15. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL

As part of the Group's credit risk management, the Group applies a systematic internal credit rating for its customers because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. When assessing the internal credit rating of the customers, matrix of the nature of customers, the financial conditions and debtors' aging are considered. The following table provides information about the exposure to credit risk and ECL for trade receivables and contract assets which are assessed collectively based on provision matrix as at 30 June 2018.

	Average loss rate	**Gross carrying amount**	**Impairment loss allowance**
		RMB'000	RMB'000
Customer Group A			
0–365 days	0.03%	2,427,570	820
1–2 years	10.72%	2,098	225
Over 2 years	95.53%	11,186	10,686
		2,440,854	11,731
Customer Group B			
0–365 days	0.18%	711,175	1,305
1–2 years	30.03%	626	188
Over 2 years	69.41%	11,657	8,091
		723,458	9,584
Customer Group C			
0–365 days	0.01%	83,030	6
1–2 years	3.33%	30	1
Over 2 years	88.89%	9	8
		83,069	15

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the current interim period, the Group reversed impairment allowance of RMB7,167,000 based on the provision matrix.

For other receivables and loan receivables, the Group makes individual assessment for significant outstanding items and portfolio assessment for other items with a large number of insignificant balances on the recoverability of other receivables and loan receivables, RMB295,000 impairment allowance has been reversed for other receivables and nil impairment allowance has been provided for loan receivables respectively during the current interim period.

Pledged bank deposits and bank balances are determined to have low risk at the reporting date and the Group has measured the loss allowance at 12m ECL. The credit risk on pledged bank deposits and bank balances is limited because the counterparties are reputable banks, and the risk of inability to pay at the due date is low.

Allowance for impairment

The movement in the allowance for impairment in respect of trade and other receivables and contract assets during the current interim period was as follows:

	RMB'000
Balance at 1 January 2018 (note)	33,126
Acquired on acquisition of a subsidiary	693
Amounts written off	(278)
Net remeasurement of loss allowance	(7,462)
Balance at 30 June 2018	26,079

Note: The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

16. DERIVATIVE FINANCIAL ASSETS/DERIVATIVE FINANCIAL LIABILITIES

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Derivative financial assets		
Foreign exchange forward contracts (a)	**15,855**	978
Cross currency swap contracts (b)	**7,504**	224
Interest rate swap contracts (c)	**2,184**	1,757
Call Option (e)	**21,550**	28,750
	47,093	31,709
Derivative financial liabilities		
Foreign exchange forward contracts (a)	**10,422**	1,903
Cross currency swap contracts (b)	**545**	26,634
Foreign currency structural option contracts (d)	**1,028**	79
	11,995	28,616

Notes:

(a) Foreign exchange forward contracts

As of 30 June 2018, the Group had a number of outstanding foreign exchange forward contracts. Derivative financial assets of RMB15,855,000 (31 December 2017: RMB978,000), and derivative financial liabilities of RMB10,422,000 (31 December 2017: RMB1,903,000) have been recognised in accordance with the fair value of the above foreign exchange forward contracts, respectively.

(b) Cross currency swap contracts

As of 30 June 2018, the Group had a number of cross currency swap contracts. Derivative financial assets of RMB7,504,000(31 December 2017: RMB224,000) and derivative financial liabilities of RMB545,000 (31 December 2017: RMB26,634,000) have been recognised in accordance with the fair value of the above cross currency swap contracts.

(c) Interest rate swap contracts

As of 30 June 2018, the Group had a number of interest rate swap contracts. Derivative financial assets of RMB2,184,000(31 December 2017: RMB1,757,000) have been recognised in accordance with the fair value of the above interest rate swap contracts.

(d) Foreign currency structural option contracts

As of 30 June 2018, the Group had a number of foreign currency structural option contracts. Derivative financial liabilities of RMB1,028,000(31 December 2017: RMB79,000) have been recognised in accordance with the fair value of the above options.

(e) Call option

As disclosed in note 26, 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) ("Jiangsu Min'an"). The call option not exercised within the prescribed two-year period will lapse. The call option is measured at fair value on inception and the subsequent reporting periods before lapse. Changes in fair value have been charged into the profit and loss of the Group.

17. TRADE AND OTHER PAYABLES

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Trade payables		
– associates	**67,517**	45,686
– joint ventures	**6,163**	8,792
– non-controlling shareholders of subsidiaries	**4,852**	77
– third parties	**1,845,544**	1,672,620
	1,924,076	1,727,175
Bill payables	**66,918**	77,440
Other payables		
– joint ventures	**–**	354
– non-controlling shareholders of subsidiaries	**27,944**	32,346
	27,944	32,700
Payroll and welfare payables	**323,765**	390,443
Advance from customers	**–**	48,386
Consideration payables for acquisition of property, plant and equipment	**209,932**	227,740
Technology support service fee payables	**692**	1,885
Freight and utility payables	**81,026**	83,965
Value-added tax payables	**21,004**	41,301
Interest payables	**8,820**	8,561
Rental payables	**6,831**	1,475
Deposits received	**7,009**	5,576
Others	**234,593**	243,460
Total trade and other payables	**2,912,610**	2,890,107

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

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Age		
0–90 days	**1,710,701**	1,574,618
91–180 days	**105,088**	110,775
181–365 days	**87,328**	29,655
1–2 years	**17,435**	9,683
Over 2 years	**3,524**	2,444
	1,924,076	1,727,175

18. BORROWINGS

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Carrying amount repayable		
Within one year	**4,087,746**	2,493,574

During the current interim period, the Group obtained new borrowings amounting to RMB3,468,454,000 (RMB1,875,568,000 for the six months ended 30 June 2017). 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 RMB1,896,773,000 (RMB857,281,000 for the six months ended 30 June 2017) were made during the current interim period in line with the relevant repayment terms.

19. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	5,000,000	500,000

	Number of shares '000	Share capital RMB'000
Issued and fully paid:		
As at 1 January 2017 (audited)	1,130,354	113,532
Exercise of share options	8,248	726
At 30 June 2017 (unaudited)	1,138,602	114,258
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

20. 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. Therefore, the capital injection made by the local government agency is treated as a long-term liability.

During the current interim period, 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.

21. 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 and 2015 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 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 (for the six months ended 30 June 2017, no new share options were granted).

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 2017 (audited)	29,575,500
Exercised during the period	(8,248,300)
Forfeited during the period	(293,000)
Outstanding as at 30 June 2017 (unaudited)	21,034,200
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

The Binomial model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options were based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options. The fair value of the options granted determined at the date of grant using the Binomial model was RMB192,395,000.

The following assumptions were used to calculate the fair value of share options granted during the six months ended 30 June 2018:

	2018 Option
Grant date share price	**HK$37.60**
Exercise price	**HK$37.60**
Expected volatility	**34%**
Expected life	**0.98~2.98 years**
Risk-free rate	**1.69%**
Expected dividend yield	**2.77%**
Early exercise multiple	**2.07~2.10**

During 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$44.86 (six months ended 30 June 2017: HK$30.83).

The Group recognised the total expenses of RMB22,871,000 for the current interim period (RMB5,442,000 for the six months ended 30 June 2017) in relation to share options granted by the Company.

22. COMMITMENTS

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

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (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	**338,499**	581,621

23. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

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

Relationship with related/connected party	Nature of transactions	Six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Joint venture, in which the Group has a 50% equity interest	Sales of raw materials	**5,422**	2,435
	Sales of finished goods	**19,606**	22,771
	Purchase of raw materials	**16,784**	10,241
	Purchase of finished goods	**217**	1,273
	Purchase of property, plant and equipment	**–**	914
	Processing income	**–**	1,982
Associates, in which the Group has a 49%, 35%, 30%, 30% and 25% equity interests	Sales of raw materials	**11,615**	3,919
	Sales of finished goods	**37,142**	30,226
	Sales of moulds	**3,923**	3,495
	Purchase of raw materials	**27,632**	6,310
	Purchase of finished goods	**16,248**	2,915
	Property rental income	**1,080**	1,094
	Sales of property, plant and equipment	**946**	975
	Other operating income	**1,638**	1,210
Non-controlling interests of subsidiaries	Purchase of raw materials	**–**	1,022
	Technology support services charges	**–**	5,908
Companies in which Mr. Chin and his family have control	Sales of moulds	**1,026**	–
	Technology support services charges	**3,615**	–
A company in which the director of a subsidiary has control	Technology support services charges	**213**	4,242

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	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short-term benefits	**6,066**	7,476
Post-employment benefits	**49**	105
Share-based payments	**6,781**	1,086
	12,896	8,667

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

24. 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 value of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

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

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

Financial assets/ financial liabilities	Fair value as at 30 June 2018 (unaudited)	Fair value as at 31 December 2017 (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 - RMB15,855,000 Liabilities - RMB10,422,000	Assets - RMB978,000 Liabilities - RMB1,903,000	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) Cross Currency swap derivative contracts classified as financial assets and liabilities	Assets - RMB7,504,000 Liabilities - RMB545,000	Assets - RMB224,000 Liabilities - RMB26,634,000	Level 2	Discounted cash flow. Future cash flows are estimated based on applicable yield curves derived from quoted interest rates, contracted interest rates on each maturity date and forward exchange rate and contracted forward rate at the end of the final maturity date, discounted at a rate that reflects the credit risk of various counterparties.
3) Interest rate swap derivative contracts classified as derivative financial assets	Assets - RMB2,184,000	Assets - RMB1,757,000	Level 2	Discounted cash flow. Future cash flows are estimated based on applicable yield curves derived from quoted interest rates, contracted interest rates on each maturity date and forward interest rate at the end of the final maturity date, discounted at a rate that reflects the credit risk of various counterparties.
4) Foreign currency structural option contracts classified as derivative financial liabilities	Liabilities - RMB1,028,000	Liabilities - RMB79,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward exchange rates as determined by the actual exchange rates on each maturity date, discounted at a rate that reflects the credit risk of various counterparties.
5) Debt instruments at FVTOCI	Assets - RMB432,683,000	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.
6) Call Option classified as derivative financial assets	Assets - RMB21,550,000	Assets - RMB28,750,000	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.

25. ACQUISITION OF A SUBSIDIARY

On 8 September 2017, Cheerplan (HK) Limited ("Cheerplan (HK)"), a wholly-owned subsidiary of the Company, entered into a subscription agreement with United Alloy-Tech Company Limited ("UATC"), a company whose shares are listed on the Taipei Exchange, pursuant to which UATC has conditionally agreed to issue and Cheerplan (HK) has conditionally agreed to subscribe for 55,900,000 of its shares at a consideration of New Taiwan Dollar 313,040,000 (equivalent to RMB69,195,000), representing 44.18% of the total issued share capital of UATC immediately upon completion of the subscription. Cheerplan (HK) has the right to appoint three out of four executive directors of the board of UATC. In addition, Mr. Chin also entered into a subscription agreement with UATC through his wholly-owned company to subscribe for shares in UATC and which, if proceeded to completion, Mr. Chin will come to hold 9.96% of the total issued share capital of UATC. Details of the subscriptions are set out in the Group's announcement dated 8 September 2017.

The consideration was fully paid by Cheerplan (HK) in November 2017, and the acquisition has been completed on 10 January 2018 when Cheerplan (HK) obtain the control over UATC, upon which, UATC became a non-wholly owned subsidiary of the Group because the directors are of the opinion that the Group has power over UATC, is exposed, or has rights, to variable returns from its involvement with UATC and has the ability to use its power to affect its returns. The acquisition is accounted for by acquisition method.

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

	10 January 2018 RMB'000
Current assets	
Cash and cash equivalents	49,100
Trade and other receivables	25,931
Inventories	23,083
Pledged bank deposits	4,417
Prepaid lease payment	166
Non-current assets	
Property, plant and equipment	61,087
Other intangible assets	48
Deferred tax assets	426
Pledged bank deposits	720
Prepaid lease payment	7,252
Current liabilities	
Trade and other payables	(23,860)
Tax liabilities	(279)
Borrowings	(19,658)
Non-current liabilities	
Deferred tax liabilities	(78)
Bill payables	(2,885)
Retirement benefit obligations	(1,165)
	124,305

Non-controlling interests

The non-controlling interest of 55.82% in UATC recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of UATC and amounted to RMB69,387,000.

Goodwill arising on acquisition (determined on a provisional basis)

	10 January 2018 RMB'000
Consideration transferred	69,195
Plus: non-controlling interests	69,387
Less: recognised amount of identifiable net assets acquired	(124,305)
Goodwill arising on acquisition	14,277

Goodwill arose on the acquisition of UATC is mainly attributable to the synergies expected to be achieved from integrating UATC 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	(69,195)
Recorded as prepayment as of 31 December 2017	69,195
Add: cash and cash equivalent balances acquired	49,100
	49,100

Impact of acquisition on the results of the Group

Included in the loss for the interim period is RMB944,000 arising from UATC. Revenue for the interim period includes RMB52,079,000 attributable to UATC.

Had the acquisition of UATC been effected at the beginning of the interim period, the total amount of revenue of the Group for the current interim period would have been RMB6,003,638,000, and the amount of the profit for the interim period would have been RMB985,305,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the interim period, nor is it intended to be a projection of future results.

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

26. DISPOSAL OF A SUBSIDIARY

For the period ended 30 June 2018

On 27 June 2018, Jiaxing Yuting Properties Co.,Ltd. ("Jiaxing Yuting"), a wholly-owned subsidiary of the Company entered into an Equity Transfer Agreement with Jiaxing Huazhuo Real Estate Co., Ltd., a connected person of the Company by virtue of it being a company indirectly wholly-owned by Mr. Chin, a substantial shareholder and executive director (as redesignated on 10 August 2017) of the Company, pursuant to which Jiaxing Yuting agreed to dispose the entire interest in Jiaxing Yuhui at a consideration of approximately RMB46,677,000. The disposal has been completed on the same day when Jiaxing Yuting lost the control of Jiaxing Yuhui.

Analysis of assets and liabilities over which control was lost

	RMB'000
Current assets	53,302
Current liabilities	(12,439)
Net assets disposed of	40,863

Gain on disposal of a subsidiary

	RMB'000
Net assets disposed of	(40,863)
Total consideration	46,677
Gain on disposal	5,814

Net cash inflow arising on disposal of a subsidiary

	RMB'000
Cash consideration	46,677
Recorded as receivable as of 30 June 2018	(28,006)
Less: bank balances and cash disposed of	(7)
	18,664

The impact of Jiaxing Yuhui on the Group's results and cash flows in the current and prior period is disclosed below:

During the six months ended 30 June 2018, the loss from Jiaxing Yuhui before the disposal date amounted to approximately RMB848,000 (six months ended 30 June 2017: approximately RMB77,000).

For the period ended 30 June 2017

On 2 March 2017, the Group entered into a capital increase agreement (the "Agreement") with Huai'an Development Holdings Co., Ltd.* (淮安開發控股有限公司) ("Huai'an Development"), an independent third party and Best Treasure (China) Limited ("Best Treasure"), a connected person of the Company by virtue of it being a company indirectly wholly-owned by Mr. Chin, a substantial shareholder and executive director of the Company, pursuant to which each of Huai'an Development and Best Treasure agreed to make capital contributions into Jiangsu Min'an, a then wholly-owned subsidiary of the Group, up to US$49.7 million respectively, and obtaining in aggregate 87.3% equity interest of Jiangsu Min'an. The capital contribution are to be made before 31 March 2020.

In addition, within two years after the signing of the Agreement, the Group shall be entitled to purchase back from Best Treasure 12.3% of the equity interests in Jiangsu Min'an at the price at which Best Treasure acquired those interests in Jiangsu Min'an under the Agreement (the "Call Option"). The Call Option can be exercised in stages, partial or in full. The Call Option not exercised within the prescribed two-year period will lapse.

As of 30 June 2017, Best Treasure have made capital contribution of US$49.7 million (equivalent to RMB339,957,000) and obtained in aggregate 74.6% equity interest of Jiangsu Min'an. Therefore, the Group owns the remaining 25.4% equity interest in Jiangsu Min'an, which became an associate of the Group since the Group still has significant influence over Jiangsu Min'an. There is no consideration received on the Group's deemed disposal of Jiangsu Min'an.

Analysis of assets and liabilities over which control was lost

	RMB'000
Non-current assets	70,509
Current assets	31,083
Current liabilities	(56,939)
Net assets disposed of	44,653

Gain on disposal of a subsidiary

	RMB'000
Net assets disposed of	(44,653)
Interest in an associate	116,675
Fair value of the Call Option	31,799
Gain on disposal	103,821

Net cash outflow arising on deemed disposal of a subsidiary

	RMB'000
Cash consideration	–
Less: bank balances and cash disposed of	(19,832)
	(19,832)

The impact of Jiangsu Min'an on the Group's results and cash flows in the current and prior period is disclosed below:

During the six months ended 30 June 2017, the loss from Jiangsu Min'an before the disposal date amounted to approximately RMB17,380,000 (six months ended 30 June 2016: approximately RMB10,778,000).

Cash flows from Jiangsu Min'an before the disposal:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash flows from operating activities	**(21,607)**	(9,058)
Net cash flows from investing activities	**(4,278)**	(11,975)
Net cash flows from financing activities	**37,731**	–
Net cash flows	**11,846**	(21,033)

27. 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 2018.

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. As of the end of the reporting period, pre-trial review is fixed on 24 July 2019, and trial hearing of the proceedings is fixed on 14 October 2019 with 25 days reserved.