MINTH GROUP LIMITED
敏實集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 425

2018 Annual Report

CORE VALUES

- Integrity
- Trust
- Teamwork
- Embrace change

VISION

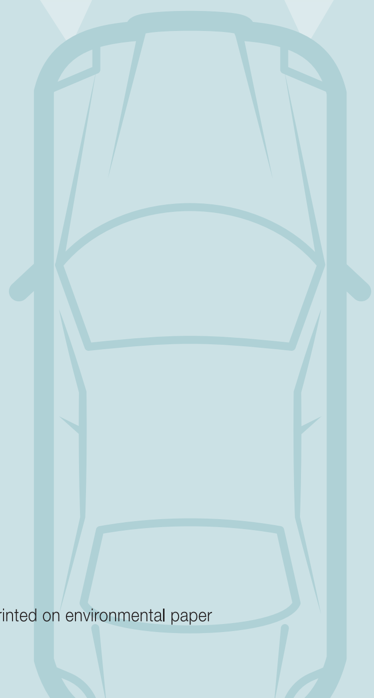
We create beauty in motion with intelligence

MISSION

Make automobiles lighter, prettier and more intelligent

TARGET

To be the top 60 global auto parts supplier in 2021



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

CORPORATE INFORMATION

THE BOARD OF DIRECTORS

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

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 8 Dagang No. 6 Road
Ningbo Economic and Technological Development Zone
Postal Code 315800
China
Tel: (86 574) 8680–1018
Fax: (86 574) 8685–6330
Website: www.minthgroup.com

OFFICE IN HONG KONG

Room 904, 9/F, Island Place Tower
No. 510 King's Road
North Point, 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
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS TO THE COMPANY

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

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

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

STOCK CODE

SEHK Code: 0425

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of Minth Group Limited (the "Company") together with its subsidiaries (collectively the "Group") for the last five financial years is as follows:

	For the year ended 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Result					
Turnover	6,683,880	7,654,123	9,399,992	11,384,495	**12,553,202**
Profit before tax	1,355,762	1,568,777	2,118,599	2,488,296	**2,046,074**
Income tax expense	(202,834)	(249,065)	(339,172)	(395,564)	**(333,534)**
Profit for the year	1,152,928	1,319,712	1,779,427	2,092,732	**1,712,540**
Attributable to:					
Owners of the Company	1,117,605	1,271,677	1,719,141	2,025,254	**1,660,636**
Non-controlling interests	35,323	48,035	60,286	67,478	**51,904**
	1,152,928	1,319,712	1,779,427	2,092,732	**1,712,540**

	As at 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Assets and Liabilities					
Total assets	12,851,070	13,155,917	15,050,712	18,108,962	**21,268,088**
Total liabilities	(4,305,599)	(3,749,501)	(4,195,006)	(5,710,857)	**(7,839,382)**
	8,545,471	9,406,416	10,855,706	12,398,105	**13,428,706**
Equity attributable to owners of the Company	8,288,552	9,192,237	10,597,514	12,113,134	**13,160,414**
Non-controlling interests	256,919	214,179	258,192	284,971	**268,292**
	8,545,471	9,406,416	10,855,706	12,398,105	**13,428,706**

CHAIRMAN'S STATEMENT

Photo credit: *Business Weekly* (Taiwan)

Dear Shareholders,

2018 has witnessed unexpected market volatilities. For the first half year, we saw a steady growth in the Chinese automotive market, which quickly swerved in the second half of the year. Following the US-China tug-of-war in trade frictions, the market became more sensitive under the influence of various factors. Over nearly three decades of growth, the Chinese automotive market has turned to a rational development pattern, which is not entirely a bad thing. On the one hand, competitive OEMs and car models will stand out. For example, despite a decline in both production and sales in the Chinese automotive market during 2018, Japanese and German OEMs still achieved excellent performance in the Chinese market, and Minth's turnover in China maintained steady growth by picking the right OEMs and models. On the other hand, our domestic and overseas business is relatively balanced. Despite a slowdown in domestic growth, our overseas development has accelerated. At the same time, we also take note of the weakening competitors, and it is believed that there will still be many opportunities against the adverse conditions.

Against a changing business environment, we paid more attention to our own inherent development and enhancement, so that the Group as a whole would be built into a healthy organization and system that is fully prepared for long-term development. On the one hand, we must persevere in the research and development ("R&D") of innovative products, as they represent a strong force propelling our future direction. With an aim to become a very competitive company, we need to give top priority to developing strong innovation capability, as there will be nothing without innovation. In the past, we leveraged on the advantages of quick response, hard work, low manufacturing cost, etc. to secure customers and adapt to the market. When our business development reached a certain level, however, none of these is sustainable core competence in the long run. We should become the industry benchmark and earn the respect of our customers by capitalizing on our core technology, but the gap still exists when compared to the international benchmark companies. Over the past two years, we have been focusing on innovation by establishing various departments such as the Innovation Research Center, and their teams have also been expanding. In the next few years, we will continue to increase investments in R&D. At the same time, our business and program management teams, after consolidation, have joined hands with the R&D and design teams to participate in the R&D stage of the customers in advance, which will help us better understand the needs of the customers and gain the initiative to secure new business opportunities. Secondly, we should conduct thorough control over cost in light of enormous room for improvement in various aspects where waste exists. For example, the cost of defective products remains high. In addition, there is plenty of room for integration and improvement in packaging and logistics. For areas that require investments, we will not hesitate, while we shall make improvements for areas with unnecessary waste in the first place. That is the right direction. In 2018, we vigorously advanced the implementation of the asset light strategy while adopting scientific methods to extend the lifespan of equipment, which helped to optimize our cost structure. Thirdly, we must persist in high efficiency production. In recent years, we have been increasing our investment in automation with a view to continuously improve productivity. In light of rising labor costs, we can replace highly repetitive work with robots, which are faster and more accurate. By deploying the planning of the future factory, we aim to carry out comprehensive improvement in terms of logistics, workshops, production management, safety and environmental protection and other aspects to achieve operational efficiency.

Looking ahead, the year of 2019 might be a quite challenging year in the past decade, but is also likely to be a turnaround year for promising development of the next decade. Affected by the macroeconomic environment, the overall automotive market may witness a slower growth as compared to other industries, but is still expected to remain stable in general. We will spare no effort to adhere to the path of innovative development, and I believe the most important innovation lies in the care for employees. In the pursuit of a culture of overall wellness, we have been improving the care for and training of our employees, focusing on the holistic balance of each employee to enable them to grow into a member of the Minth family with health, love, experience and influence. In the meanwhile, we also hope to motivate the potential of employees and create a cultural atmosphere of mutual encouragement and support, so as to achieve a win-win outcome between the enterprise and employees.

CHIN JONG HWA
Chairman
20 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The production and sales of passenger vehicles in China were lower than the market expectation at the beginning of the year ended 31 December 2018 (the "Review Year"), which were approximately 23,529,000 units and approximately 23,710,000 units respectively, representing a year-on-year decrease of approximately 5.2% and approximately 4.1% respectively. Despite negative growth for the first time in 28 years, the automobile market in China continued to rank first in the world for the tenth consecutive year. During the Review Year, in terms of market segment, sales of various models all recorded a year-on-year decrease, among which the SUV market experienced negative growth for the first time, with a decrease of approximately 2.5% in sales. In particular, the sales of compact SUVs declined significantly due to waning consumer enthusiasm. Sales of sedans decreased by approximately 2.7% as compared to the same period last year, while sales of MPVs continued to decrease significantly by approximately 16.2% on a year-on-year basis. During the Review Year, after recording a growth for three consecutive years, sales of Chinese local brands amounted to approximately 9,980,000 units, representing a decrease of approximately 1.8 percentage points in market share, or a year-on-year decrease of approximately 8%. Among Chinese local brands, sales of sedans maintained a growth momentum, while sales of SUVs declined. Meanwhile, JV brands became polarized, where sales of Japanese, Korean and German OEMs maintained growth, especially with the Japanese OEMs leading the growth against the decreasing trajectory, while sales of American and French OEMs declined significantly. During the Review Year, sales of luxury vehicles recorded a significant increase. Meanwhile, sales of new energy vehicles ("NEVs") in China continued its accelerating growth with a sales volume of approximately 1,053,000 units, representing a year-on-year growth of approximately 82.0%. This accounted for approximately 4.4% of the total sales of passenger vehicles in the Chinese market, ranking first in the world for the fourth consecutive year.

During the Review Year, sales of light vehicles in the US market increased by approximately 0.3% to approximately 17.274 million units, with consumption trend continuing to shift from sedans to SUVs and light trucks. GM and Ford recorded a decline in their market shares, and three major American brands reported comparatively high inventory levels in the US market. As a result, automobile manufacturers implemented business restructuring plans in response to the current poor performance and development demands. GM and Ford announced that they downsized through laying off and closing some production facilities to streamline their respective vehicle models and production volumes, while Fiat Chrysler Automobiles announced the restructuring of the Turin production facility in Italy to deal with its financial crisis and transformation. During the Review Year, sales of passenger vehicles in the European Union increased slightly by approximately 0.1% year-on-year to approximately 15,159,000 units, with a relatively stable growth in the first half of the year, while decreased significantly in the second half of the year following the introduction of the Worldwide Harmonized Light Vehicles Test Procedure ("WLTP"). During the Review Year, Russia, Thailand, Brazil and India all witnessed favourable growth in sales of automobiles, among which, sales of light vehicles in Russia and Thailand increased by approximately 12.8% and approximately 19.2% year-on-year to approximately 1,800,000 units and approximately 1,039,000 units respectively. Meanwhile, the sales of passenger vehicles in Brazil and India went up by approximately 13.1% and approximately 5.1% year-on-year to approximately 2,100,000 units and approximately 3,395,000 units respectively. Conversely, sales of light vehicles in the Mexican market decreased by approximately 7.1% year-on-year to approximately 1,422,000 units, representing a sales decline for the 19th consecutive month.

COMPANY OVERVIEW

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. Having its manufacturing bases in China, the US, Mexico, Thailand and Germany, together with its production plants under planning and construction in the UK and Serbia and its technical centers located in China, Germany, North America and Japan, the Group is able to provide services to the major automotive markets around the world and meet the growing demand of its customers.

During the Review Year, to further promote its global product strategy and layout, achieve technological leadership and build the core competitiveness of its products globally, and advance its sustainable development, the Group has carried out restructuring by establishing four major business units of plastic decorative parts, aluminum parts, metal parts and trims to form a matrix structure together with its current regional organizations to enhance the operational efficiency of the organization and safeguard the long-term development of the Group. Meanwhile, the Group was fully committed to strengthening the promotion of new products, new technologies and new materials among its customers. The R&D and business teams of the Group joined forces to exchange ideas with its customers on technical solutions to promote the market development of new products, including aluminum door frames, battery packs, emblems for adaptive cruise control system ("ACC"), active grille shutters, and plastic tailgates, with an aim to guarantee the sustainable growth of the Group's revenue. To expand customer coverage and enhance product penetration, the Group continued to optimize the cost and quality competitiveness of its traditional products by applying advanced manufacturing technologies, upgrading its existing production methods and optimizing its processing techniques.

During the Review Year, by integrating the management system and requirements of the World Class Manufacturing, the Group upgraded Minth Lean Operation System to Minth Operation Excellence System ("MOS"), and promoted its formation and implementation. MOS focuses on anti-waste, full participation, standardization and methodology, and rationally applies the technology pillars and management pillars to promote the implementation of five major projects including asset light strategy, equipment maintenance management, inventory reduction, better personnel efficiency and quality improvement. Following the joint participation of all employees, the Group reasonably controlled investments in fixed assets, lowered the inventory level, improved quality and personnel efficiency, and built an intelligent equipment maintenance system, with a view to improving the Group's capital turnover ratio, extending equipment lifespan, enhancing product competitiveness and maximizing benefits. By advancing its organization with the top-down and bottom-up approaches, the Group proceeded with rapid promotion and replication and strengthen communications with benchmark enterprises in the industry such as Mercedes-Benz, BMW and GM to constantly study and learn from their strengths, which were then transformed into the standards suitable for the Group.

In addition, the Group has formulated the planning of future factory, which has already been initiated in Qingyuan and Jiaxing. Upon comprehensive consideration, characterized with intelligent, flexible and digital applications, and aimed at zero emissions and zero accidents, the Group expects to promote comprehensive enhancement in terms of logistics, workshops, layout, production technology, production management and safety and environmental protection through the planning of future factory, which is committed to building the Group as a benchmark in advanced manufacturing and ensuring the leading position of the Group in its overall operational management over the next few years.

During the Review Year, based on the occupational health, safety and environmental management system, the Group continued to improve the performance of environment, health and safety management by ensuring the discharge of waste water, waste gas and noise is up to the standards, complying with the disposal requirements for hazardous wastes, and carrying out a series of energy-saving and emission-reduction projects to control carbon emissions. In addition, the Group encouraged the use of environmentally-friendly materials, and adopted the water recovery technology for production lines to reduce water consumption. Furthermore, the Group improved the sewage treatment process to effectively lower the amount of sludge produced and the emission of pollutants in the production process at the source. These initiatives are all aimed at building "clean factories and green factories".

During the Review Year, a fire broke out in one of the Group's production facilities 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). There were no injuries or casualties in the accident, and pollutant emissions were quickly and effectively controlled and treated. The Group continued to step up efforts to investigate and rectify potential safety hazards at its production facilities, and implemented on-site visualization of safety management system, which were made visible to employees and external visitors. The Group's improved workplace hazard analysis allowed its employees to identify the hazards of their posts, understand the control and emergency measures, and enhance their awareness of and ability to avoid accidents. The Group strengthened the management of external construction contractors by implementing the approval procedures of danger-prone operations and improving the safety training of external personnel to achieve effective management of the "external" hazards. Furthermore, the Group provided occupational health training for its employees who are exposed to occupational hazards, performed the testing of occupational hazard factors, and further completed the occupational health records of its employees so that they are placed in a "safe and healthy" workplace.

During the Review Year, the Group continued to focus on its development strategy and remained committed to improving the construction and implementation level of an overall risk-oriented internal control system in order to effectively control potential risks, with an emphasis on improving the system and ability to prevent and combat bribery. During the Review Year, the Group further combed the adequacy and effectiveness of policies and procedures, timely revised the guidelines on project risk management, project transition management, supplier risk management, etc., continuously improved the risk control level and reasonably ensured that potential risks were controlled within tolerance. While ensuring that sufficient resources are invested to strengthen the internal audit function, the Group also improved the internal audit organizational structure, revised relevant internal audit policies and procedures and improved the efficiency of internal audit. Besides these, the Group continuously enhanced and supervised the effectiveness of overall risk management of various functional headquarters and operating units, integrated risk management into the Group's daily operations and core value chain among which the Group especially made continuous progress in areas such as procurement and supplier management, anti-fraud and compliance management, to effectively ensure and promote the Group's sustainable and steady development.

Business and Operation Layout

During the Review Year, the Group's revenue was approximately RMB12,553,202,000, representing an increase of approximately 10.3% as compared with approximately RMB11,384,495,000 in 2017. During the Review Year, the domestic revenue of the Group was approximately RMB7,640,167,000, representing an increase of approximately 9.1% as compared with approximately RMB7,002,318,000 in 2017, mainly attributable to growth in production and sales of Japanese and German OEMs in the Chinese market. During the Review Year, the Group's overseas revenue was approximately RMB4,913,035,000, representing an increase of approximately 12.1% as compared with approximately RMB4,382,177,000 in 2017, mainly due to the business growth of the European OEMs in the overseas markets.

During the Review Year, the Group bucked the trend in its new business intake and steadily improved the global market share of its traditional products. At the same time, the Group also achieved several breakthroughs from scratch in promoting new products. The Group is devoted to pursuing globalization and strives to be a quality supplier to its customers during their global development. During the Review Year, the Group secured customer trust by exchanging ideas more frequently on business and technology with the headquarters of Japanese and Korean OEMs, thus winning more global orders from them. In addition, the Group expanded its business with various new customers in the South Asian market, laying a better foundation for the Group to advance its global business development. By continuing to deepen its cooperation with European OEMs, the Group strove for more opportunities to collaborate on and develop products, such as trims and decorative parts for their global platform vehicle models, and the Group applied and promoted new techniques, such as laser welding and surface treatment, to products of more customers. From the years of cooperation with Daimler Group, the Group has established a transparent partnership with them based on mutual trust and made outstanding efforts to overcome technological and business challenges. In February 2018, the Group won the global award of "Daimler Supplier Award in Partnership Category", representing a great recognition of the Group's attitude and ability to cooperate with customers on global businesses. In the meantime, the Group also strengthened efforts to expand its business in Chinese local brands and NEV OEMs, continued to innovate, research and develop new products to help the development of NEVs worldwide, and endeavoured to facilitate Chinese OEMs to go global. During the Review Year, the Group achieved breakthroughs from scratch for the new business intake in terms of multiple new products, such as aluminum door frame and aluminum battery pack innovatively developed based on aluminum products, ACC cover and emblem which could facilitate automotive intelligence, and newly designed grilles which complies with the future automobile development concepts. These business intakes underscore customers' recognition for the Group's innovative R&D, and also encourage the Group to continue to do more exploration and research on existing products in combination with industry trends. Therefore, the Group will continue its innovation in developing aesthetic, lightweight, intelligent and electrified products. The Group experienced smooth development of aluminium battery packs and was well prepared for mass production.

In terms of global layout, during the Review Year, the Group planned and built the production base for aluminum products in Serbia, and also planned and built production lines for aluminum door frame and battery pack in various locations in Britain, the US and China, in order to meet the local supply requirements of its global customers, and to further improve its global competitiveness and global footprint of its aluminum products. In addition, the Group continued its visionary planning for the production layout of major production facilities, and expanded and optimized the capacity of its major plants located in China, the US, Mexico, Thailand and Germany to facilitate the development and mass production of products for its new business intake, thus catering better to the needs of its global customers in product development and mass production.

In terms of operational management, during the Review Year, the Group's production facilities in China and Mexico received recognition from its customers for their outstanding performance in product quality, technologies, environmental protection, after sales services and other aspects, and won many outstanding awards as a supplier. As for operational management enhancement, the Group focused on improving the profitability of its overseas production facilities by dispatching professional technical and managerial personnel there. During the Review Year, the Group carried out multiple initiatives to improve and optimize the aluminum anodizing line, process and technology, safety and environmental protection, overall management capabilities and talent cultivation in its Mexican plants. This improved the product quality and productivity, and ensured the smooth mass production in respect of multiple projects there for customers including Audi and Daimler, thus fulfilling the requirements of its customers in development, delivery and product quality and the Group's self-development needs. During the Review Year, the Group witnessed steady improvement in overall operational management of its overseas production facilities.

During the Review Year, despite the grim industrial conditions and various uncertainties from the Sino-US trade friction, the Group was able to minimize the negative impacts thanks to its sound global layout and its continuous optimization, as well as quick response and positive countermeasures, thus winning the recognition from its customers. At the same time, to meet the needs of global business development, the Group optimized and streamlined its product planning and production capacity to balance the capacity of the production bases globally and to mitigate the impact of tariffs.

During the Review Year, a subsidiary of the Group set up wholly-owned subsidiaries in the UK and Serbia, respectively, to mainly engage in R&D, production and sales of auto parts and moulds. Another subsidiary of the Group established joint enterprises with three enterprise partners in the PRC with total registered capital of RMB70 million. The three joint enterprises would be held as to 51%, 90% and 49% respectively by this subsidiary of the Group, which also established a wholly owned subsidiary in the PRC with the registered capital of RMB10 million. Besides, another subsidiary of the Group established a wholly-owned subsidiary in the PRC with the registered capital of USD10 million.

Research and Development

During the Review Year, based on continuous promotion of traditional products, the Group devoted itself to the R&D of new derivative products and innovative products. The outcome of transformation from development to independent R&D have gradually emerged. New products such as aluminum door frames, battery packs, ACC emblems, active grille shutters and plastic tailgates have been developed.

During the Review Year, the Group increased investments in innovation and R&D by setting up global innovative research teams in Germany, Japan and the US. Through the integration of advanced technological resources globally, the Group continuously achieved new breakthroughs in lightweight products, intelligent applications and other fields, leading the market with innovative products, as well as building the core competitiveness of products with advanced production process and technologies. In terms of innovative products, the Group successfully developed a number of products and won recognition and orders from multiple customers, including lightweight products (such as battery packs and aluminum door frames) and intelligent products (such as smart automotive front faces, active grille shutters and grilles with charging ports). In addition, the Group made significant progress in the concurrent design of ACC emblem. In terms of innovative technology, successfully developed roof racks which used water-assist injection molding technology had outstanding advantages in function, structure, manufacturing process, cost and other aspects, and won global orders from Hyundai. The Group made major breakthroughs in processing techniques of laser welded door frames, and won global orders from customers such as GM, GAC Motor and Nissan, thus maintaining its leadership in the industry. The Group had always dedicated itself to backing up the upgrading of the automotive industry through continuous technological innovation. Facing the growing demand for concurrent design from customers all over the world, the Group continuously integrated global design resources and advanced technologies at home and abroad. Concurrent design capability of the Group has been recognized by the industry and was awarded the "Pioneer of Global Concurrent Development" by China Automotive Technology and Research Center. The Group has provided strong technical support and services to global OEMs and has become their preferred design supplier. During the Review Year, by tapping into its current technical achievements, the Group established an extensive layout in the field of lightweight products to provide strong support for more launch of innovative products. The Group established a joint laboratory with Shanghai Jiao Tong University in terms of lightweight materials, products and processes, as well as laboratories with many world-class equipment suppliers in production technology so as to achieve efficient technological innovation by fully capitalizing on the advantages of internal and external resources. During the Review Year, the Group achieved outstanding achievements in the integration of industrialization and informatization by achieving a unified and globally shared product data management system, which effectively directed the development benchmark. By integrating the Group's controlled data exchange system, a more secure data exchange and sharing mechanism was established and a data exchange environment was built and improved for customers' concurrent design requirements to secure and consolidate the trust of customers.

In addition, the Group continuously optimized its R&D organization structure by introducing technical experts, training and recruiting talents with globalized vision, core technical talents and management teams, strengthening technological research, promoting market leadership through technological innovation, and deepening innovative research on new products, new materials and new processes. These initiatives of optimization helped the Group continue with new product offerings. During the Review Year, the Group further strengthened its protection of R&D achievements. The initiatives of intellectual property rights for key projects of the Group have been gradually carried out in the world, and the overseas intellectual property rights system has been gradually improved, thus providing a strong technical shield to the Group's business expansion. Recognizing the importance of intellectual property rights, the Group analyzes through patent retrieval at the outset of R&D, and pays attention to safeguarding R&D achievements at all stages. During the Review Year, 223 patent applications were filed for approval, and 185 patents were authorized, among which 34 were invention patents. The cumulative number of filed patent applications has exceeded 2,000. The Group's R&D Center has newly emerged as a national advantageous enterprise of intellectual property rights. The Group's major subsidiaries in Ningbo have joined the China Intellectual Property Protection Center, which has played a positive role in promoting the Group's improvement in the layout of R&D patents and the development of an intellectual property protection and defense system. While continuously expanding its global business, the Group has gradually expanded the distribution of intellectual property rights of key projects around the world. As several key projects have been authorized in turn in the US, Japan, Russia and other countries, the Group has begun to internationalize its portfolio of intellectual property rights.

Corporate Social Responsibility

While pursuing maximum return to shareholders, the Group actively fulfills its corporate social responsibilities.

During the Review Year, based on the occupational health, safety and environmental management system, with an aim to build "clean factories and green factories", the Group continued to improve the performance of environment, health and safety management by ensuring the discharge of waste water, waste gas and noise is up to the standards, complying with the disposal requirements for hazardous wastes, and carrying out a series of energy-saving and emission-reduction projects to control carbon emissions. During the Review Year, the Group's improved workplace hazard analysis allowed its employees to identify the hazards of their position, understand the control and emergency measures, and enhance their awareness of and ability in avoiding accidents. The Group strengthened the management of external construction contractors by improving the safety training of external personnel to achieve effective management of the "external" hazards. Furthermore, the Group provided occupational health training for its employees who are exposed to occupational hazards, and performed the testing of occupational hazard factors so that they are placed in a "safe and healthy" workplace.

In respect of the caring for its employees, the Group is committed to shaping the culture of love, advocating the concept of overall wellness and promoting personal competitiveness of the employees through physical and mental professional trainings such as emotional intelligence and energy management. The Group also endeavors to enhance the soft power of employees' families through family trainings such as Couple's Camp, Family Day, parent-child camps and summer camps for employees' children and upgrade the living and entertainment facilities of employees in the factory to enrich the employees' spare time. In addition to the social insurance coverage for the employees pursuant to the requirements, the Group has also purchased additional supplementary commercial insurance for the employees, of which beneficiary covers employees and their parents, spouses and children. The Group has purchased the local medical mutual insurance for the employees in certain regions through cooperation with local labor unions to bring multiple guarantees and warm support for more families of employees. Multi-level talent development and training programs are in place to enhance the professional skills of the employees, such as GMTP (General Manager Training Program), MTP (Manager Training Program), SMTP (Senior Manager Training Program), TTT (Train the Trainer), Turbo Program and Development Program for General Managers of Overseas Factories.

In respect of supplier management, the Group implemented a mutual sustainable development culture of supplier management. It strictly forbids business corruption of suppliers and upholds an honest and integrity relationship with suppliers. During the Review Year, the Group made more efforts on anti-corruption and provided various forms of education for staff on the relevant subjects including internal presentations and seminars conducted by external legal counsels. Meanwhile, the Group also reinforced the procurement system and internal audit for the Group and its subsidiaries.

The Group concerns about the education matters in China's poverty-stricken areas and the welfare of the disabled people all along. In 2005, the Group proposed to set up the Minth charity fund. In 2010, the Group's donation to the Ningbo Charity Society were used to set up the "Minth Charity Fund" (敏實慈善愛心基金). In 2013, the Group sponsored the "Zhejiang Minth Foundation" (浙江省敏實愛心基金會), continuing its care for the education in the poverty-stricken areas in China and the promotion of public welfare and charity activities, with the principle of dedication and sharing of love (匯聚愛心，讓愛傳遞). The Group launches and supports various charity programs such as Hope for Pearl (撿回珍珠計劃), Yi Children Class (彝族兒童班), Character Education Program (品格教育計劃), Pearl Polishing Program(擦亮珍珠計劃), Vocational Education Program for Pearl Students (珍珠職業教育計劃), Donation Shop (愛心格子鋪), education programs for remote mountainous areas, College Student Leadership Training Program, "Enjoyable Reading" Project for Children (讀享童年計劃) as well as the Nutritious Lunch Program. It was the tenth year for the Group to continue its efforts in the program of Hope for Pearl during the Review Year, and 45 Pearl Classes have been established in 14 Provinces across China. The Group funded 486 Pearl students (1,978 students in aggregate) during the Review Year.

FINANCIAL REVIEW

Results

During the Review Year, the Group's revenue was approximately RMB12,553,202,000, representing an increase of approximately 10.3% from approximately RMB11,384,495,000 in 2017. It was mainly driven by the growth of production and sales volume of Japanese and German OEMs in the Chinese market, and the business boost of European customers in overseas markets.

During the Review Year, the profit attributable to owners of the Company was approximately RMB1,660,636,000, representing a decrease of approximately 18.0% from approximately RMB2,025,254,000 in 2017. It was mainly attributable to the decrease in other gains and losses and other income of the Group.

Sales of Products

During the Review Year, the Group continued focusing on the production of core products including trims, decorative parts and body structural parts, which were mainly supplied to the factories of the major global OEMs.

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

Customer category	2018 RMB'000	2018 %	2017 RMB'000	2017 %
The PRC	**7,640,167**	**60.9**	7,002,318	61.5
North America	**2,376,580**	**18.9**	2,304,437	20.2
Europe	**1,890,297**	**15.1**	1,443,442	12.7
Asia Pacific	**646,158**	**5.1**	634,298	5.6
Total	**12,553,202**	**100.0**	11,384,495	100.0

Revenue from Overseas Market

During the Review Year, the Group's revenue from overseas markets amounted to approximately RMB4,913,035,000, representing an increase of approximately 12.1% from approximately RMB4,382,177,000 in 2017. It accounted for approximately 39.1% of the total revenue of the Group in the Review Year, representing an increase when compared to approximately 38.5% in 2017.

Gross Profit

During the Review Year, the Group's gross profit was approximately RMB4,023,023,000, representing a growth of approximately 4.5% from approximately RMB3,849,468,000 in 2017. The gross profit margin was approximately 32.0% in the Review Year, representing a decrease of approximately 1.8% from approximately 33.8% in 2017. Such decrease was mainly due to the pressures of ASP decline of products for old models and price hike of raw materials faced by the Group during the Review Year. To address these, the Group continued enhancing its efficiency of both production and management by adopting measures such as lean manufacturing and improvement of production layout, while proactively optimizing product mix, which resulted in the overall gross profit margin remaining at a decent level.

Investment Income

During the Review Year, the investment income of the Group was approximately RMB108,881,000, representing an increase of approximately RMB20,036,000 from approximately RMB88,845,000 in 2017. It was mainly due to an increase in the interest income of the Group.

Other Income

During the Review Year, the other income of the Group amounted to approximately RMB179,284,000, representing a decrease of approximately RMB84,681,000 from approximately RMB263,965,000 in 2017. It was mainly attributable to a decrease in revenue from the delivery of a real estate development project mainly for the Group's employee family housing since such delivery was basically completed in 2017, as well as a decrease in government subsidies during the Review Year.

Other Gains and Losses

During the Review Year, the Group's other gains and losses amounted to a net loss of approximately RMB87,162,000, representing a decrease of approximately RMB233,805,000 as compared to the net gain of approximately RMB146,643,000 in 2017. It was mainly attributable to gains from disposal of available-for-sale investments, and gains from a former subsidiary's becoming an associate, namely Jiangsu Min'an Electric Cars Co., Ltd.* (江蘇敏安電動汽車有限公司) ("Jiangsu Min'an") in 2017, while there were no such gains recorded during the Review Year, but provision for impairment for equity investment in an associate made during the Review Year.

Distribution and Selling Expenses

During the Review Year, the Group's distribution and selling expenses were approximately RMB519,675,000, representing an increase of approximately RMB38,887,000 from approximately RMB480,788,000 in 2017. It accounted for approximately 4.1% of the Group's revenue, representing a decrease of approximately 0.1% from approximately 4.2% in 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 Year, the administrative expenses of the Group amounted to approximately RMB941,098,000, representing an increase of approximately RMB89,508,000 from approximately RMB851,590,000 in 2017. It accounted for approximately 7.5% of the revenue of the Group, remaining the same as approximately 7.5% in 2017.

Research Expenditure

During the Review Year, the research expenditure of the Group amounted to approximately RMB590,609,000, representing an increase of approximately RMB126,927,000 from approximately RMB463,682,000 in 2017. It accounted for approximately 4.7% of revenue of the Group, representing an increase of approximately 0.6% from approximately 4.1% in 2017. It was mainly attributable to an increase in labor costs arising from the Group's recruitment of technicians, cultivation and reservation of global talents for its continuous improvement in the structure of R&D team to maintain its market competitiveness and sustainable development, as well as continuously increasing investments in R&D for deepening its innovative research on new products, new materials and new processes.

Share of (Losses) Profits of Joint Ventures

During the Review Year, the Group's share of (losses) profits of joint ventures recorded a net loss of approximately RMB6,410,000, representing a decrease of approximately RMB8,836,000 as compared to a net gain of approximately RMB2,426,000 in 2017, which was mainly attributable to a decrease in profit from a joint venture, as well as an increase in loss from a joint venture due to the fact that the R&D, preparation and construction activities were already initiated while no income was recorded during the Review Year.

Share of Profits of Associates

During the Review Year, the Group's share of profits of associates was approximately RMB17,347,000, representing a decrease of approximately RMB10,577,000 from approximately RMB27,924,000 in 2017. It was mainly attributable to a decrease in profit generated from two associates as well as an increase in loss incurred by an associate during the Review Year.

Income Tax Expense

During the Review Year, the Group's income tax expense was approximately RMB333,534,000, representing a decrease of approximately RMB62,030,000 from approximately RMB395,564,000 in 2017.

During the Review Year, the effective tax rate was approximately 16.3%, representing an increase of approximately 0.4% from approximately 15.9% in 2017.

Profits Attributable to Non-controlling Interests

During the Review Year, the Group's profits attributable to non-controlling interests were approximately RMB51,904,000, representing a decrease of approximately RMB15,574,000 from approximately RMB67,478,000 in 2017. It was mainly attributable to the acquisition of minority interest in a non-wholly owned subsidiary by the Group and the loss incurred by a newly acquired non-wholly owned subsidiary during the Review Year.

Liquidity and Financial Resources

As of 31 December 2018, the Group's total bank balances and cash amounted to approximately RMB4,521,870,000, representing an increase of approximately RMB672,269,000 compared to approximately RMB3,849,601,000 as of 31 December 2017. As of 31 December 2018, the Group's low-cost borrowings amounted to approximately RMB4,091,130,000, among which the equivalent of approximately RMB1,845,808,000, approximately RMB1,489,000,000, approximately RMB487,609,000, approximately RMB175,240,000 and approximately RMB93,473,000, were denominated in US Dollar ("USD"), RMB, Euro ("EUR"), Hong Kong Dollar ("HKD") and Thai Baht ("THB") respectively, representing an increase of approximately RMB1,597,556,000 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 Year, the net cash flow from the Group's operating activities was approximately RMB2,040,728,000, indicating a sound cash flow condition.

During the Review Year, the Group's trade receivables turnover days were approximately 83 days, which were the same as approximately 83 days for 2017.

During the Review Year, the Group's trade payables turnover days were approximately 74 days, extending by approximately 10 days from approximately 64 days in 2017, which was mainly attributable to the extended supplier payment cycle due to the Group's active negotiations with the suppliers.

During the Review Year, the Group's inventory turnover days were approximately 76 days, increasing by approximately 7 days from approximately 69 days in 2017, which was mainly attributable to an increase in work in process arising from new projects under development and an increase in inventories reserved for new projects.

The Group's current ratio was approximately 1.5 as of 31 December 2018, decreasing by approximately 0.3 from approximately 1.8 as of 31 December 2017. As of 31 December 2018, the Group's gearing ratio was approximately 20.0% (31 December 2017: approximately 14.3%), which was a percentage based on the interest bearing borrowings divided by total assets.

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

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

The Group believed that during the Review Year, the favourable performance in sales, production and R&D activities, as well as the sound cash reserves provided a strong support for sustainable growth in the future.

COMMITMENTS

As at 31 December 2018, the Group had the following commitments:

	RMB'000
Capital commitment	
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:	
– Acquisition of property, plant and equipment	382,399

INTEREST RATE AND FOREIGN EXCHANGE RISKS

As at 31 December 2018, the balance of bank borrowings of the Group was approximately RMB4,091,130,000, of which RMB860,000,000 was bearing at fixed interest rates, and approximately RMB3,231,130,000 was bearing at floating interest rates. The aforesaid borrowings had no seasonality features. In addition, approximately RMB1,958,434,000 of the aforesaid borrowings was denominated in currencies other than the functional currencies of the Group's related entities, of which the equivalent of approximately RMB1,295,585,000, approximately RMB487,609,000 and approximately RMB175,240,000 were denominated in USD, EUR and HKD respectively.

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

As at 31 December 2018, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB925,645,000 of which approximately RMB753,406,000 was denominated in USD, approximately RMB106,566,000 was denominated in EUR, approximately RMB27,200,000 was denominated in Mexico Peso, approximately RMB20,696,000 was denominated in Japanese Yen, approximately RMB17,719,000 was denominated in HKD and the remainder of approximately RMB58,000 was denominated in other foreign currencies.

As a result of the constant increase of overseas sales and the vigorous fluctuation in currency markets, the management of the Group expressed more concern 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 monitored the foreign exchange exposure and promptly adjusted the control strategy.

CONTINGENT LIABILITIES

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

MORTGAGED ASSETS

As of 31 December 2018, the Group had borrowings of RMB150,000,000 and bill payables of approximately RMB201,906,000 due within 8 months, which were secured by bill receivables with par value of approximately RMB203,283,000, bank deposits of USD5,500,000 and RMB12,000,000. The borrowings are to be settled in RMB (31 December 2017: the Group had borrowings of RMB120,000,000 and bill payables of RMB10,013,000 with maturity dates within 3 months, secured by bill receivables with par value of approximately RMB133,083,000. The borrowings are to be settled in RMB).

CAPITAL EXPENDITURE

Capital expenditure includes the acquisition of property, plant and equipment, the increase in construction in progress and the addition of land use rights. During the Review Year, the Group's capital expenditure amounted to approximately RMB2,226,620,000 (2017: approximately RMB2,140,820,000). The increase in capital expenditure was attributable to the Group's continued expansion of production scale and investment in R&D, increased investment in production bases for aluminum products following the development trend of lightweight vehicles, as well as further investments in automatic and flexible production lines during the Review Year. Meanwhile, the Group rationally controlled investments in fixed assets in accordance with the asset-light guidelines.

PLACING AND SUBSCRIPTION

The Group had no placing and subscription of shares during the Review Year.

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 Year.

EMPLOYEES

As of 31 December 2018, the Group had a total of 18,391 employees, increased by 2,031 as compared to that as of 31 December 2017. The increase was mainly due to the establishment of new overseas production facilities and a global talent pool, continuous enhancement in R&D capability of new products and an increase in the new business intakes for global platform vehicles. During the Review Year, the Group continued to facilitate team and employee recognition programs through culture consensus camps, so as to enhance team cohesion and stimulate the potential of its employees. In addition, during the strategic deployment for its globalization, the Group had internally improved its international talent pool and cultivated management talents for overseas operations through systematic training programs for overseas talents, and externally expanded its overseas recruitment channels by improving its brand image and exploring the opportunities of overseas school-enterprise partnership, which ensured the talent supply to the Group's global business expansion and sustainable development.

By introducing new technology to enhance the service efficiency and effectiveness of human resources, the Group has initially achieved informatization of human resource and has gradually realized the integration of human resources in global human resource processes. As for managing overseas dispatched personnel, the Group ensured the smooth completion of dispatch tasks by formulating the whole-process training and coaching plan, thus ultimately supporting the realization of the Group's globalization strategy. Based on the layout of new production facilities across the world, the Group carried out strategic staff planning and allocation, and continuously empowered the organization through organizational transformation in terms of product lines, business and project management teams, R&D and functional centres of the Group.

Besides continuously promoting the ideas of overall wellness and its influence, the Group developed online courses on new media platforms, conducted offline physical and mental health training, organized overall wellness workshops, and promoted overall wellness training in its overseas operations and gave play to overall wellness functions. This continued to facilitate the overall development of its employees worldwide. Meanwhile, the Group further enhanced its efforts in meeting the requirements for selecting its key teams in terms of overall wellness, and strived to build sustainable competitiveness of its employees and organizations.

The Group will continue to forge ahead and further enhance its global management capability in 2019, strengthen the construction of global Minth culture by following through the Corporate Culture Blue Book and the global culture consensus, and maximize the potential of its global employees. To further improve the organization's ability to serve global customers, the Group will promote and innovate the management of its global organization, develop business units in terms of product lines and build a sharing platform. The Group will further drive the mobility and rotation of its talents globally, and share global training resources by upgrading its international talent training system and succession planning system to underpin the realization of the Group's globalized strategic layout.

FUTURE PROSPECTS AND STRATEGIES

During the Review Year, the growth rate of China's economic performance indicators slowed down, and the automobile consumption was affected by multiple factors. On the one hand, consumer confidence was affected by the slowdown in macro-economic growth, tightened credit policies, and the Sino-US trade tension. On the other hand, as the impact to the automobile sales of the advance car purchase triggered by the previous preferential purchase tax policy was almost fully reflected in 2018, and several provinces and cities have indicated that they will advance the implementation of the limits and measurement method for emission from light-duty vehicles (China VI) in 2019 despite such standard originally scheduled to be fully implemented in 2020, the industry has entered the process of structural adjustment and stock renewal, keeping more consumers on the sidelines. Third-party consulting agencies such as IHS Markit and LMC Automotive anticipated that production and sales of vehicles in China were expected to be more than 27 million units in 2019, and the production and sales of passenger vehicles would reach 23 million units to 24 million units, representing a slight decrease as compared with that in 2018.

During the Review Year, government departments successively issued documents such as the intelligent vehicle innovation and development strategy, the administrative measures for the admission of automobile industry and products, and the revised administrative measures for automobile investments, further enhancing the planning design and strategic deployment for the development of the automobile industry during the transformation period. At the same time, the automobile industry began a new round of opening up. The implementation of policies such as the relaxation of foreign ownership restrictions and import tariff reduction are liberalizing the Chinese automobile market, which will help attract foreign automotive companies to increase their distribution in the Chinese market. The 2018 subsidy policy for NEVs jointly issued by the four ministries and commissions, i.e. Ministry of Finance, Ministry of Industry and Information Technology, Ministry of Science and Technology and National Development and Reform Commission, promoted the development of new energy vehicle enterprises and power battery enterprises to a higher technological level. The Intelligent Connected Vehicle Road Test Management Standards has been officially implemented, providing clear regulations on various aspects relating to self-driving tests. The introduction of all the policies has promoted the industrial transformation and upgrading, as well as deepening innovation in the Chinese market, indicating an upcoming adjustment period. During the adjustment period, the Chinese automobile enterprises will be facing more pressure from competition and the restructuring pace of the automobile industry will be further accelerated. However, the deepening of automobile market development in China has weakened the advantages of competitive differentiation. Due to the improving consumer taste, more transparency in prices of vehicle platforms, and a noticeable trend of consumption upgrading, luxury brands will significantly outperform low-end brands. However, with the declining prices of SUVs, the competition between SUV models and sedans is expected to continue. In the context of stagnant growth, the gap among OEMs will be widened easily and inferior players may confront the risk of being eliminated. Automotive companies with advantageous models in sedans, SUVs and MPVs will be in a more competitive position to withstand market fluctuations. It is expected that OEMs may trim their product mix or gradually integrate or spin off their internal parts business in order to achieve cost optimization. Parts suppliers will become more centralized and internationalized amid the increasingly intense competition.

During the Review Year, the global vehicle market growth showed a slight decline, which is expected to maintain its current level in 2019. Among mature markets, the US market witnessed slight growth. However, the uncertainties of the US trade agreements and policies on other countries, coupled with the pressure of the US inflation and the operating pressure of the US automotive companies, are expected to lead to a vehicle sales decline in the US in 2019. The European passenger vehicle market also experienced fluctuations in 2018, with factors such as the implementation of WLTP, Brexit and rising oil price all negatively impacting the market. IHS Markit predicted a downward trend for the passenger vehicle market in Europe in the next few years starting from 2019. Japan's economic growth is likely to slow down, reflecting a weakening external demand, high inventory level and global trade conflicts. The consumption tax to be increased may lead to advance purchase in Japan. Among emerging markets, India may continue to witness a favourable growth, and the vehicle markets in Thailand, Brazil and Russia are expected to continue their recovery trajectory.

Given the development trend of the industry, intelligence and electrification have increasingly characterized vehicles with electronic features, which are expected to evolve into large-scale mobile intelligent terminals for consumers in the future. Therefore, apart from the traditional performance, it is expected that future automotive development will be integrated with the interactive experience of large screens, the trend of flexible modular body and multi-functional space switching, the maturity of self-driving technology, and the low-level applications. The general trend of automotive development and the shortening vehicle model life cycle urgently required component suppliers to be equipped with strong concurrent development capability to ultimately become highly integrated suppliers between component suppliers and OEMs. Component suppliers are required to be capable to confront new market changes and offer more professional product design so as to partner with OEMs on researching and developing products in line with the market trend in a concurrent or even more forward-looking manner. To maintain the comprehensive competitiveness, they shall provide more competitive product design solutions and have agile concurrent development and verification capabilities so that systematic solutions can be provided to automotive companies.

The Group paid more attention to the changes in the general environment of the automobile industry, actively dealt with the severe industrial conditions and the changing international trade environment, and grasped the opportunities arising from global industrial development. The Group will proceed with its strategic layout, in view of related global industrial policies of NEVs and the development trend of lightweight, intelligence and electrification. On the one hand, the Group has continuously developed new products, new technologies and new materials to exploit new business opportunities to safeguard the steady development of the Group in the long run. On the other hand, the Group will further enhance the competitiveness of traditional products and its global market share through cost optimization and quality improvement.

The Group will further improve the global operation layout, comprehensively promote the implementation of MOS and build the capability of continuous self-improvement. The Group will capitalize on the philosophy of World Class Manufacturing to formulate the methods and means of the MOS. In combination with various targeted improvement programs, the Group will further deepen its coordinated cost management by subdividing the challenge targets of fighting against waste into different operation processes and strengthen the enforcement, establishing an improved cost-loss model, and linking it with IT system to ensure the completeness and timeliness of data collection. The in-depth analysis over waste existing in the operation process will provide a strong guarantee for the improvement of the Group's profitability. In addition, the Group will actively encourage communications and appraisals among its various regional production facilities with respect to seven aspects, including management, "environment/quality/safety", cost, human resources, excellent manufacturing, logistics and supply chain according to the new MOS evaluation standards which will further promote the MOS deeply and broadly. Meanwhile, the Group will take the Mexican production facility as an experimental unit for MOS's promotion and application in its overseas operations so as to standardize and integrate global MOS.

The Group will integrate its own advantages with the most advanced technologies and resources in the industry to comprehensively promote the design, planning and construction of future factories with new concepts and high standards, propelling the transformation and upgrading of the Group. Meanwhile, in addition to coordinating the upgrading of existing information platforms, the Group will provide highly integrated and shared services at home and abroad, optimize operation and supply chain management system, improve operational management efficiency, and promote the establishment of a quick response mechanism and intelligent decision-making methods.

The Group will continue to optimize its current organization, innovate organizational models of small-scale production facilities, and streamline the organization and personnel to enhance the overall operation and profitability. Striving to become an industry benchmark, the Group will achieve professional development through business unit organization, and oversee and manage each business unit in terms of cost control, planning of development and production model, fixed asset investment, budget management, integrated platform management of global production facilities and professional personnel training, etc., so as to constantly improve the overall production and operational efficiency of the Group.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Chin Jong Hwa (秦榮華) ("Mr. Chin"), aged 60, is the Chairman, Chief Executive Officer ("CEO") and an executive Director of the Company and director of various subsidiaries of the Company. He founded the Group in March 1997 and is the controlling shareholder of the Company. Mr. Chin graduated from China Urban Administration College. Mr. Chin has experience of over 30 years in management in the auto-parts industry and has been leading the management team since the founding of the Group. Mr. Chin was also active in various other organizations, including being the executive chairman of the Xinhua Compassion Education Foundation, the chairman of Zhejiang Taiwanese Business and Enterprises Committee, the chairman of Huai'an Taiwan Merchant Association, a vice-chairman of Ningbo Association of Enterprise with Foreign Investments, a director of the Ningbo Polytechnic, a consultant to the Ningbo People's Political Consultative Conference for Hong Kong, Macao and Taiwan affairs and an executive vice-chairman of Jiaxing Association of Enterprises with Investments from Taiwan. Mr. Chin was awarded the titles of Honorary Citizen in Ningbo, Jiaxing and Huai'an, the Economic Person of 2010 in Huai'an and Huai'an City's Most Influential Overseas Merchants as well. He was appointed as a Director of the Company on 14 July 2005. On 10 August 2017, Mr. Chin was redesignated from Honorary Chairman and non-executive Director to Chairman and executive Director. As at 31 December 2018, Mr. Chin was interested in approximately 39.26% shareholding interest in the Company through Minth Holdings Limited, a company wholly owned by Mr. Chin, which held 450,072,000 shares of the Company ("Shares"). As at 31 December 2018, save as aforesaid, Mr. Chin had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Zhao Feng (趙鋒) ("Mr. Zhao"), aged 50, is the Vice President and an executive Director of the Company and director of various subsidiaries of the Company, with the overall responsibilities for the Group's sales. Mr. Zhao has nearly 20 years of experience in management. Since joining the Group in 1999, Mr. Zhao has worked successively as a purchase officer, manager of the business department and deputy general manager of business operations. Mr. Zhao was appointed as a Director on 22 December 2006. As at 31 December 2018, Mr. Zhao was interested in 900,000 Shares and 1,000,000 Share Options in the Company. Since Mr. Zhao is the spouse of Ms. Zhu Chun Ya ("Ms. Zhu"), he is deemed to be also interested in the 100,000 Shares in which Ms. Zhu was interested. Accordingly, Mr. Zhao was interested in 1,000,000 Shares and 1,000,000 Share Options in the Company. As at 31 December 2018, save as disclosed herein, Mr. Zhao had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Chin Chien Ya (秦千雅) ("Ms. Chin"), aged 30, is an executive Director of the Company. Ms. Chin is responsible for the operations management and business development of Minth North America including US and Mexico. Ms. Chin graduated from Boston College, majoring in Business Management, Accounting and Theoretical Mathematics and later obtained her master's degree from the Harvard Graduate School of Education, researching in adult and organization training, education and development. Prior to joining the Group in August 2015, she was responsible for operations and marketing in a startup company in Taiwan, and afterwards worked in public relations, providing consulting services for international companies on corporate social responsibility. Ms. Chin was appointed as a Director on 26 May 2016, and she is the daughter of Mr. Chin Jong Hwa. As at 31 December 2018, save for her interest in 100,000 Share Options in the Company, Ms. Chin had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Huang Chiung Hui (黃瓊慧) ("Ms. Huang"), aged 47, is an executive Director of the Company and the Chief Human Resources Officer ("CHO") of the Group. Ms. Huang is a seasoned senior HR executive and brings with her more than 20 years of global HR experience from the banking and manufacturing industries such as Citigroup (in New York Headquarters, Singapore and Taiwan), Taiwan Cement, and ANZ Banking Group. Prior to joining the Group, she has been in various senior HR leadership roles and particularly focused on driving talent strategy and solutions, organizational development, global leadership development initiatives, M&As and HR transformations. Ms. Huang graduated from National Tsing Hua University where she majored in Economics and obtained her MBA degree (in Human Resources Management) from City University Business School in London, UK. Ms. Huang was nominated as CHO of the Group on 1 September 2014, and was appointed as a Director on 26 May 2016. As at 31 December 2018, Ms. Huang was interested in 1,500,000 Share Options in the Company. Since Ms. Huang is the spouse of Mr. Bau Hsin Hong ("Mr. Bau"), she is deemed to be also interested in the 650,000 Share Options in which Mr. Bau was interested. Accordingly, Ms. Huang was interested in 2,150,000 Share Options in the Company. As at 31 December 2018, save as disclosed herein, Ms. Huang had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Independent Non-executive Directors

Wang Ching (王京) ("Dr. Wang"), aged 64, is an independent non-executive Director and the chairman of the nomination committee of the Company ("Nomination Committee"). Dr. Wang has over 27 years' managerial experience in investment banking, securities, treasury and asset management in the United States, Hong Kong, Taiwan and the PRC. He is currently the executive director of Shanghai International Asset Management (HK) Co., Ltd., a licensed corporation registered with Hong Kong Securities and Futures Commission and the executive director of Shanghai International Shanghai Growth Investment Limited, an investment fund company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Dr. Wang also serves as an independent non-executive director of China Singyes Solar Technologies Holdings Limited, a listed Company on the Stock Exchange, in which he advises the management on financial development and internal control. Dr. Wang received his doctorate degree from the Graduate School of Business, Columbia University in 1992. Dr. Wang joined the Company as an independent non-executive Director on 26 October 2005. As at 31 December 2018, save for his interest in 180,000 Share Options in the Company, Dr. Wang had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Wu Fred Fong (胡晃) ("Mr. Wu"), aged 71, is an independent non-executive Director and Chairman of the audit committee of the Company ("Audit Committee"). Mr. Wu has considerable directorship and corporate governance experience and has been involved in auditing, corporate planning, corporate finance, investment, consulting with public companies in Canada and Hong Kong. Mr. Wu holds an MBA degree in the Schulich School of Business, York University, Canada. Mr. Wu is a Chartered Accountant qualified in Canada and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wu joined the Company as an independent non-executive Director on 1 January 2009. As at 31 December 2018, save for his interest in 240,000 Share Options in the Company, Mr. Wu had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Yu Zheng (鄭豫) ("Ms. Zheng"), aged 50, is an independent non-executive Director and Chairman of the remuneration committee of the Company ("Remuneration Committee"). Ms. Zheng is a partner at Advantage Partners Asia Fund. She has extensive experience in private equity, management consultancy and corporate management over the last 20 years. She was the managing director at PineBridge Investments (former AIG Investments) from 2008 to 2012. Ms. Zheng was a senior partner at Roland Berger Strategy Consultants and a Principal with the Boston Consulting Group. Ms. Zheng served as president of the sales company of Brilliance Auto Group from 2003 to 2004. In addition, she has been serving Fufeng Group (a company listed on the Stock Exchange) as an independent non- executive director. She also worked in the computer industry for years in China and the U.S. Ms. Zheng has a bachelor's degree of science in Computer Science from Beijing Normal University and an MBA degree from the University of Texas at Austin. Ms. Zheng joined the Group and was appointed as a non-executive Director of the Company on 1 January 2008, and was redesignated as an independent non-executive Director of the Company on 26 May 2016. As at 31 December 2018, Ms. Zheng was interested in 300,000 Share Options in the Company. Since Ms. Zheng is the spouse of Mr. Wei Wei ("Mr. Wei"), she is deemed to be also interested in the 1,010,000 Shares in which Mr. Wei was interested. Accordingly, Ms. Zheng was interested in 1,010,000 Shares and 300,000 Share Options in the Company. As at 31 December 2018, save as disclosed herein, Ms. Zheng had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

Yi Lei Li (易蕾莉) ("Ms. Yi"), aged 45, is the Company Secretary of the Company. Ms. Yi graduated from East China Normal University in 1994 where she majored in English Language and Literature. Prior to joining the Group in February 2001, she was a lecturer at the Faculty of Foreign Languages in Ningbo University. Ms. Yi has 18 years of experience in the Company's business and operation through her successive roles as manager of the Human Resources Department, manager of Overseas Business Development Department, assistant to general manager and the head of the Investor Relations Department of the Group. Ms. Yi was appointed as the Company Secretary of the Company on 8 February 2018. As at 31 December 2018, save for her interest in 110,000 Shares and 420,000 Share Options in the Company, Ms. Yi had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Sung Hsiang Ling (宋香齡) ("Ms. Sung"), aged 46, is the Chief Financial Officer ("CFO") of the Group. Ms. Sung has over 20 years of experience in the accounting, finance and tax field internationally. Prior to joining the Group, Ms. Sung was the CFO for Taiwan and HK listed companies (TSC Auto ID Group and Sandmartin Group). From 2007 to 2013, Ms. Sung was with HTC Corp (a listed company in Taiwan) where she served as the Finance Head of HTC China and Global Tax Director. Ms. Sung received her B.A. degree in Public Finance from University of Taipei in Taiwan, and she obtained her MBA degree from Reims Management School in France as well as Master's degree in Accounting from University of Soochow in Taiwan. Ms. Sung joined the Group in April 2017 and was appointed as CFO in May 2017. As at 31 December 2018, save for her interest in 440,000 Share Options in the Company, Ms. Sung had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Liu Yan Chun (劉艷春) ("Mr. Liu"), aged 53, is the Chief Operating Officer ("COO") of the Group. Mr. Liu is in charge of the overall management of the operation system, with particular emphasis on the management of operational efficiency improvement. Mr. Liu graduated from Harbin Institute of Technology in 1989, majoring in industrial management engineering, and has been engaged in production management since graduation. Since joining the Group in 1999, Mr. Liu has worked successively as quality system manager, senior plant manager, regional general manager, assistant to the Chairman and general manager of the R&D Center of the Group. He has rich experience in quality system, factory, R&D and operations management. Mr. Liu was appointed as COO on 1 September 2018. As at 31 December 2018, save for his interest in 430,000 Share Options in the Company, Mr. Liu had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Jin Zheng Xun (金正勛) ("Mr. Jin"), aged 45, is the General Manager of Minth Europe, with overall responsibilities for operations management. Mr. Jin graduated from China Institute of Metrology in 1997, and obtained Master's degree from the Otto-von-Guericke University of Magdeburg in Germany in 2003 majoring in Mechanical Engineering. Mr. Jin joined the Group in April 2004 and has worked as manager of Quality Control Department, manager of Overseas Business Development Department, assistant to general manager, the General Manager of North America Operations and the General Manager of overseas sales of the Group. As at 31 December 2018, save for his interest in 54,000 Shares and 196,000 Share Options in the Company, Mr. Jin had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

CORPORATE GOVERNANCE PRACTICE

The Group commits to maintaining and ensuring a high level of corporate governance standards and continuously reviews and improves its corporate governance and internal control practices. Save as disclosed herein, the Company has fully complied with all code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange for the Review Year. Set out below are the principles of corporate governance as adopted by the Company during the Review Year.

DISTINCTIVE ROLES OF CHAIRMAN, CHIEF EXECUTIVE OFFICER AND SENIOR MANAGEMENT

Mr. Chin, the Chairman of the Board and CEO, was responsible for leading the Board in establishing and monitoring the implementation of strategies and plans to create values for Shareholders, managing the operations of the Group's businesses, proposing strategies to the Board and the effective implementation of the strategies and policies adopted by the Board.

Paragraph A.2.1 of the Code provides that the chairman and chief executive officer should be separate and should not be performed by the same individual. The Board was of the view that the above arrangement was in the best interest of the Group, with the business of the Group predominantly managed on a daily basis by Mr. Chin. The Board held periodical meetings to consider major matters related to the Group's operations and believed that such structure will not harm the balance of power and authority between Directors as Mr. Chin was one out of a total of seven Directors at the relevant time. The other executive Directors are designated for different functions, which are supplementary to the role of the chairman and chief executive officer. The Board believes that such structure will help to strengthen and implement the leadership and facilitate the effective operation of the Group. The structure is therefore in the interest of the Company and its shareholders as a whole. Meanwhile, the Company is actively considering succession planning, including grooming talented candidates internally and searching for a CEO externally. Mr. Chin is expected to continue as CEO pending the appointment of a new CEO.

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

THE BOARD

As of 31 December 2018, there are seven members on the Board, which are the Chairman and CEO, three other executive Directors and three independent non-executive Directors ("INEDs").

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

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

The Board met regularly during the year and on ad hoc basis as required by business needs. During the Review Year, the Board also performed the following corporate governance duties:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(v) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

The Board met nine times during the Review Year and the Directors' attendance is shown in the table on page 26 of the annual report.

INEDs are allowed to seek advice from independent professional consultants while performing their responsibilities and the costs are to be borne by the Company. The Board has conducted a review of the effectiveness of the system of internal control of the Group.

Save for their business relationships as a result of their respective directorships and positions in the Company and what is disclosed in their biographies on page 18 to page 19 of the annual report, each of the members of the Board, including the Chairman and the CEO, does not have any significant financial, business, family or other material/relevant relationship among one another.

Article A.4.1 of the Code stipulates that non-executive directors shall be appointed for a specific term and be subject to re-election. All the independent non-executive directors have been appointed for an initial term of one year.

AUDIT COMMITTEE

The Group has established an Audit Committee with written terms of reference as suggested under the Code. As of 31 December 2018, the Audit Committee comprises all INEDs, namely Mr. Wu, Dr. Wang and Ms. Zheng. As of 31 December 2018, the chairman of the Audit Committee was Mr. Wu. Each member can bring to the Audit Committee his or her valuable experience in reviewing financial statements and evaluating significant control and financial issues of the Group who among themselves possess a wealth of management experience in the accounting profession or commercial sectors. The Audit Committee held two meetings during the Review Year and the relevant Directors' attendance is shown in the table on page 26 of the annual report.

The main duties of the Audit Committee are as follows:

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

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

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

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

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

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

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

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

REMUNERATION COMMITTEE

The Company established a Remuneration Committee in November 2005. Its terms of reference are summarized as follows:

(a) formulate remuneration policy for approval by the Board, and implement the remuneration policy laid down by the Board;

(b) without prejudice to the generality of the foregoing:

 (i) to make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

 (ii) to ensure no director or any of his associates is involved in deciding his own remuneration;

 (iii) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management. Remuneration packages include benefits in kind, pension rights and compensation payable for loss or termination of their office or appointment;

 (iv) to make recommendations to the Board on the remuneration of non-executive Directors;

 (v) the Remuneration Committee should consult the Chairman and/or the chief executive about their remuneration proposals for other executive Directors;

 (vi) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(vii) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(viii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

As of 31 December 2018, the Remuneration Committee comprises all three INEDs namely Mr. Wu, Dr. Wang, and Ms. Zheng. Ms. Zheng was the Chairman of the Remuneration Committee.

The Remuneration Committee held one meeting during the Review Year to discuss remuneration related matters including determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts and the relevant Directors' attendance is shown in the table set out on page 26 of the annual report.

In order to attract, retain, and motivate executives and key employees serving the Group, the Company has adopted a conditional share option scheme (the "2012 Share Option Scheme") on 22 May 2012. The 2012 Share Option Scheme aims at granting share options pursuant to the terms of the 2012 Share Option Scheme to those qualified persons who have contributed or will contribute to the Group as a reward or incentive.

Details of the amount of Directors' emoluments are set out in note 12 to the consolidated financial statements and details of the 2012 Share Option Scheme are set out in the Directors' Report and note 40 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 21 March 2012. Its duties are summarized as follows:

(a) formulate nomination policy for the Board's consideration and implement the Board's approved nomination policy; and

(b) without prejudice to the generality of the foregoing:

(i) to review the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) to identify individuals suitably qualified to become Board members and select or make recommendations on the selection of individuals nominated for;

(iii) to assess the independence of independent non-executive Directors;

(iv) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the CEO;

(v) to do any such things to enable the Nomination Committee to perform its responsibilities and functions conferred on it by the Board; and

(vi) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's articles of association (the "Articles") or imposed by legislation.

As of 31 December 2018, the Nomination Committee comprises all three INEDs, namely Mr. Wu, Dr. Wang and Ms. Zheng. Dr. Wang was the Chairman of the Nomination Committee.

During the Review Year, the Nomination Committee held one meeting to (i) review the structure, size and composition (including the gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board; (ii) assess the independence of INEDs; and (iii) adopt the Board diversity policy. Directors' attendance is shown in the table set out on page 26 of the annual report.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional knowledge and experience, industry knowledge and experience and technical skills. The Nomination Committee would consider and, where applicable, agree on measurable objectives for achieving diversity on the Board and make recommendation to the Board. During the Review Year, the Nomination Committee has not set any measurable objectives for implementing the policy. The Nomination Committee considered the current composition of the Board to be appropriate taking into account of the above.

According to the director nomination policy, in evaluating and selecting a candidate for directorship, the following criteria shall be considered:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience and diversity criteria under the Board diversity policy of the Company which are relevant to the Company's business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- the potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence, gender diversity and diversity of perspectives;
- willingness and ability to devote sufficient time to discharge duties as a member of the Board and/or Board committee(s); and
- such other criteria which are appropriate to the Company's business and corporate strategy and the Board's succession plan and, where applicable, which may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

The Nomination Committee has also implemented the following procedures and processes in respect of the nomination of Directors pursuant to the director nomination policy:

- The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management of the Company and external recruitment agents, and shall, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- If the process yields more than one qualified candidates, the Nomination Committee and/or the Board shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- The Nomination Committee shall then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- For any person who is nominated by any shareholder of the Company for election as a Director at any general meeting of the Company, the Nomination Committee and/or the Board shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- Where appropriate, the Nomination Committee and/or the Board shall make recommendation to the shareholders of the Company in respect of the proposed election of Director(s) at the general meeting of the Company.

SHAREHOLDERS' RIGHTS

Shareholders have the right to receive dividends according to the Company's dividend policy which is summarized as follows:

- The Company shall, when recommending or declaring dividends, maintain adequate cash reserves for meeting its working capital requirements and needs for future growth as well as its share value in the long-run.
- The declaration of dividend(s) and/or the amount of dividends (if any) that may be declared and distributed to the shareholders of the Company is subject to the discretion of the Board, the constitutional documents of the Company, all applicable laws and regulations and the factors set out below.
- The Board shall also take into account the following factors of the Company and its subsidiaries when considering the declaration and payment of dividends:
  - — financial results;
  - — cash flow situation;
  - — availability of distributable profits;
  - — business conditions and strategies;
  - — future operations and earnings;
  - — development plans;
  - — cash requirements;
  - — capital requirements and expenditure plans;
  - — interests of shareholders as a whole;
  - — any restrictions on declaration and/or payment of dividends; and
  - — any other factors that the Board may consider relevant.
- Depending on the financial conditions of the Group and the conditions and factors as set out above, the following dividends may be proposed and/or declared by the Board for a financial year or period:
  - — interim dividend;
  - — final dividend;
  - — special dividend; and
  - — any distribution of net profits that the Board may deem appropriate.
- Any final dividend for a financial year shall be subject to shareholders' approval.
- The Company may declare and pay dividends by way of cash or scrip or by any other means that the Board considers appropriate.
- Any dividend unclaimed shall be forfeited and reverted to the Company in accordance with the constitutional documents of the Company and all applicable laws and regulations.

Shareholders have right to raise questions and make suggestions on the business of the Company. All Shareholders shall have equal rights according to their respective shareholding and assume corresponding obligations.

Shareholders are entitled to get access to and participate in the material matters of the Company as prescribed by laws, administrative regulations and the Articles.

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisition(s) himself (themselves) may do so in the same manner.

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Branch Registrar and Transfer office, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. If the Shareholders and the investors make a request for the Company's information, the Company will only provide such information to the extent that it is practicable to do so and such information is publicly available. Shareholders and the investors may communicate with the Company by mail, telephone, fax and email, details for which are made available on the Company's website.

Composition of the Board and the Directors' attendance record for the year ended 31 December 2018

	2018 annual general meeting ("AGM")	The Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of Meetings	1	9	2	1	1
Executive Directors					
Chin Jong Hwa *(Chairman and Chief Executive Officer)*	1	8	N/A	N/A	N/A
Zhao Feng	1	9	N/A	N/A	N/A
Chin Chien Ya	0	9	N/A	N/A	N/A
Huang Chiung Hui	1	9	N/A	N/A	N/A
Independent Non-executive Directors					
Wang Ching	1	9	2	1	1
Wu Fred Fong	1	9	2	1	1
Yu Zheng	1	9	2	1	1

INDEPENDENCE INFORMATION

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

DIRECTOR'S TRAINING AND DEVELOPMENT

Development and training of Directors is an ongoing process so that they can perform their duties appropriately. The Company regularly circulates details of training courses which may be of interest to Directors. All Directors are encouraged to attend relevant training courses.

During the Review Year, all Directors have participated in professional trainings to update their knowledge and skills. All Directors have provided the Company with their training records for the year.

The Company Secretary has confirmed her attendance of more than 15 hours of professional training during the Review Year.

According to the records maintained by the Company, the Directors received the following training with the emphasis on the roles, functions and duties of a director of a listed company in compliance with the Code on the continuous professional development during the Review Year:

	Corporate Governance/ Updates on Laws, rules and Regulations/ Updates on Industry Specific	
	Written Materials	**Briefings/Seminars**
Executive Directors		
Chin Jong Hwa	✓	✓
Zhao Feng	✓	✓
Chin Chien Ya	✓	✓
Huang Chiung Hui	✓	✓
Independent Non-executive Directors		
Wang Ching	✓	✓
Wu Fred Fong	✓	✓
Yu Zheng	✓	✓

AUDITOR'S REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the Review Year, the Company was required to pay an aggregate of approximately RMB3,730,000 to the external auditor for its audit services.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board understands that appropriate internal control and risk management are indispensable to effective governance and fulfillment of strategic objectives of the Group. The Board has also confirmed that the Board is responsible for ensuring the Group to maintain appropriate and effective internal control at any time to safeguard the interest of its shareholders and the assets of the Group. The Board will review the risk management and internal control systems annually. The Board has conducted reviews over the risk management and internal control during the Review Year, and identified the efficiency and sufficiency of risk management and internal control.

The Group has established three barriers for risk management and internal control. The first barrier is the identification, evaluation and acknowledgement of risks and critical control points during the operating process by different levels of management from each functional unit, with internal controls by means such as verification of authorization, physical control and separation of duties. The second barrier is the internal review of each functional unit or department. Regular internal review in respects of human rights, financial rights and related procedures is conducted by departments of the Group headquarters, such as Human Resources Department and Finance Department, to ensure the compliance with laws and regulations and requirements of the Stock Exchange, as well as the accuracy and fairness of the financial statements. Due diligence are established in every functional unit to conduct self review and evaluation. The third barrier is the establishment of an audit and supervision department, which is independent of the business operation for the Group, to conduct irregular internal reviews over every system and subsidiaries or departments. In the case of material risks and loophole of internal control, the audit and supervision department will expand its coverage of auditing and report to the Audit Committee in a timely manner. Apart from sufficient allocation of resources, the Group ensures that the internal audit team can get access to all business filings, accounting records and related staff, so as to guarantee the effectiveness of its internal audit function. Whilst the three aforesaid barriers are positioned for risk management and internal control, the Group organizes seminars when necessary, where participants at all levels put forward cross-functional quick response and effective countermeasures towards the identified issues with potential high risk. Through the above, the Group can ensure that risk can be controlled within tolerance, and internal control can be effectively carried out.

The risk management and internal control system of the Group aims to manage, but not completely eliminate, the risks which hinder the achievement of business objectives, which only provides reasonable assurance, while cannot guarantee that material false statements and damages will be fully avoidable.

The Board considered that the Group's risk management and internal control systems maintained by the management are effective and adequate to address the financial, operational and compliance controls and risk management of the Group during the Review Year.

INVESTOR RELATIONS AND COMMUNICATION

Through its Investor Relations Department, the Company maintains proactive communications with investors, analysts and other capital market participants so as to enable them to fully understand the operation and development of the Group. The Company's senior management presents the annual results briefing and interim results conference call every year. Through various activities such as analyst meetings and road shows, senior management provides the capital market with the updates of important information and responds to key questions which are of prime concerns to the investors. This has helped to reinforce the understanding of the Company's business and the overall development of the industry. The Company holds its AGM in Hong Kong or Mainland China every year. Shareholders are encouraged to attend the AGM, witness the Company's business operations in person and voice any concerns or suggestions, so as to facilitate the direct communication between the Board and Shareholders.

The Group thoroughly maintains and enhances its transparency. Financial reports, public announcements and calendar of events of the Company are available to investors through its website http://www.minthgroup.com. The Company attaches great importance to maintaining daily communications with investors and analysts. During the Review Year, the Company accommodated over 150 visits and conference calls for investors or analysts, and participated in 10 investment forums, 4 of which were held by Chinese brokers so as to enhance communication between the Company and Southbound Mainland Chinese investors. The Company held a reverse roadshow together with its 2018 AGM in its production facilities located in Jiaxing China to help investors better understand the products, production and operations of the Group, and it hosted about 150 participants from the investment community. The representatives were invited to visit the Group's production lines for surface treatment processes, which covered the products such as decorative parts, aluminum products and ACC emblems. In addition, plant tours at the Group's facilities in Ningbo, Huai'an, Guangzhou and Tianjin were also arranged during the Review Year.

The Company was awarded as "Most Honored Companies" by the *Institutional Investor* during its 2018 All-Asia Executive Team survey. The Company would like to express its heartfelt gratitude to both buy-side and sell-side analysts for their recognition, and its management and investor relations team will continue to work down to earth and adhere to high compliance standard, so as to maintain more effective communication with the investment community.

There was no change in the Company's constitutional documents during the Review Year.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for preparing the accounts and the reporting responsibilities of the external auditor to the Shareholders are set out on page 43 of the annual report.

LOOKING FORWARD

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

DIRECTORS' REPORT

The Board is pleased to present the annual report and the audited financial statements of the Group for the Review Year.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company while its subsidiaries are engaged in design, manufacturing, processing, developing and sales of automobile body parts and moulds of passenger cars. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the Review Year, and an indication of likely future development in the Group's business, can be found in the "Summary of Financial Information", "Chairman's Statement" and "Management Discussion and Analysis" sections of the annual report.

RESULTS

The results of the Group for the Review Year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 45 of the annual report.

DIVIDENDS

The Board has recommended the payment of a final dividend of HKD0.661 per share to shareholders whose names appear on the register of members of the Company on Tuesday, 11 June 2019 and the proposed final dividend will be paid on or about Thursday, 20 June 2019. The payment of dividends shall be subject to the approval of the shareholders at the forthcoming annual general meeting, which is expected to be held on Friday, 31 May 2019.

PROPERTY, PLANT AND EQUIPMENT

During the Review Year, the Group incurred approximately RMB2,226,620,000 for the acquisition of property, plant and equipment. Details of these and other movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL AND RESERVES

During the Review Year, the Company has issued 5,708,600 Shares as a result of the exercise of Share Options granted pursuant to the 2012 Share Option Scheme. The total consideration received by the Company for such issue during the Review Year amounted to approximately HKD82,619,000.

Save as disclosed herein, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of its listed securities during the Review Year.

Movements in the reserves of the Group and the Company during the Review Year are set out in the Consolidated Statement of Changes in Equity on page 48 of the annual report.

The Company's reserves available for distribution represent the share premium, reserves and profit which in aggregate amounted to approximately RMB6,914 million as at 31 December 2018. Under the Companies Law, Cap 22 (Law 3 of 1961, consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to Shareholders subject to the provisions of the Company's memorandum and Articles and provided that immediately following the date on which distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles, dividends may be declared and paid out of the profits of the Company, realised or unrealised or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividend may also be declared and paid out of share premium account of the Company.

DEBENTURES

During the Review Year, the Company did not issue any debentures.

FINANCIAL SUMMARY

A summary of the results of the assets and liabilities of the Group for the last five financial years is set out on page 3 of the annual report. The results do not constitute a part of the audited financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

For the Review Year, the largest customer accounted for approximately 8.1% of the Group's revenue, and the five largest customers accounted for approximately 28.3% of the Group's revenue.

The purchases for the Review Year attributable to the Group's largest supplier and five largest suppliers were approximately 2.2% and approximately 6.8% of the Group's total cost of goods sold respectively.

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

DONATION

During the Review Year, the donations made by the Group amounted to approximately RMB427,000 (2017: approximately RMB275,000).

DIRECTORS

The Directors of the Company during the Review Year and up to the date of the annual report were:

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

In accordance with Article 87 of the Articles, Ms. Chin, Ms. Huang, Mr. Wu, Dr. Wang and Ms. Zheng will retire from office, and all being eligible, offer themselves for re-election at the forthcoming AGM.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles, every Director of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of the duty, or supposed duty, in his office or trust, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to him. Such permitted indemnity provision was in force during the Review Year and at the time of approval of the annual report.

DIRECTORS' SERVICE CONTRACTS

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming AGM has entered into a service contract which is not determinable by the Company or its subsidiaries within one year without payment of compensation, other than statutory compensation.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wang was appointed as an independent non-executive Director on 26 October 2005 and his appointment was most recently renewed to the Company's forthcoming AGM.

Mr. Wu was appointed as an independent non-executive Director on 1 January 2009 and his appointment was most recently renewed to the Company's forthcoming AGM.

Ms. Zheng was redesignated as an independent non-executive Director on 26 May 2016 and her appointment was most recently renewed to the Company's forthcoming AGM.

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

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT

The remuneration paid to the Directors, by name, for the year ended 31 December 2018 is set out in note 12 to the consolidated financial statements.

The remuneration of senior management, by band, for the year ended 31 December 2018 is set out below:

	2018 No. of employees	2017 No. of employees
HKD500,001 to HKD1,000,000	**–**	1
HKD1,000,001 to HKD1,500,000	**–**	2
HKD1,500,001 to HKD2,000,000	**2**	–
HKD2,500,001 to HKD3,000,000	**–**	1
HKD3,000,001 to HKD3,500,000	**1**	–
HKD3,500,001 to HKD4,000,000	**1**	1

Note: The figures in the table include Dr. Loke Yu, the former company secretary of the Company who resigned on 8 February 2018.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management are set out on pages 18 to 20 of the annual report.

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

As at 31 December 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 corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

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

Name of Director	Company/ Name of Associated Corporation	Long/Short Position	Capacity	Total Number of Ordinary Shares	Percentage of the Company's Issued Share Capital as at 31 December 2018 (Note 1)
Chin Jong Hwa	Company	Long position	Interest of controlled corporation	450,072,000 (Note 2)	39.26%
Zhao Feng	Company	Long position	Beneficial owner Interest of spouse	1,900,000 100,000 (Note 3)	0.17% 0.01%
Chin Chien Ya	Company	Long position	Beneficial owner	100,000 (Note 4)	0.01%
Huang Chiung Hui	Company	Long position	Beneficial owner Interest of spouse	1,500,000 650,000 (Note 5)	0.13% 0.06%
Wu Fred Fong	Company	Long position	Beneficial owner	240,000 (Note 6)	0.02%
Wang Ching	Company	Long position	Beneficial owner	180,000 (Note 6)	0.02%
Yu Zheng	Company	Long position	Beneficial owner Interest of spouse	300,000 1,010,000 (Note 7)	0.03% 0.09%

Note 1: The percentage of the Company's issued share capital is based on the 1,146,252,500 Shares issued as at 31 December 2018.

Note 2: As at 31 December 2018, Minth Holdings Limited ("Minth Holdings") is 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. Upon exercise of the Share Options, Mr. Zhao will acquire an aggregate of 1,900,000 Shares. Since Mr. Zhao is the spouse of Ms. Zhu, he is deemed to be interested in the aforesaid Shares in which Ms. Zhu is interested.

Note 4: This figure represents the 100,000 Share Options granted to Ms. Chin under the 2012 Share Option Scheme that are exercisable. Upon exercise of the Share Options, Ms. Chin will acquire an aggregate of 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 Shares Options granted to Mr. Bau under the 2012 Share Option Scheme that are exercisable. Upon exercise of the Share Options, Ms. Huang will acquire 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 acquire 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. Upon exercise of the Share Options, Ms. Zheng will acquire 300,000 Shares. Since Ms. Zheng is the spouse of Mr. Wei, she is deemed to be interested in the aforesaid Shares in which Mr. Wei is interested.

Other than as disclosed above, as at 31 December 2018, none of the Directors, chief executives and their associates had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEMES

The 2005 Share Option Scheme was adopted by the Company for a period of 10 years pursuant to a written resolution of all the then shareholders of the Company on 13 November 2005. Such scheme was terminated on 22 May 2012 and the 2012 Share Option Scheme with substantively similar terms to the 2005 Share Option Scheme was adopted on the same day at the 2012 annual general meeting of the Company for 10 years.

The purpose of the 2012 Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. All Directors 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 which may be allotted and issued upon exercise of all options to be granted under the 2012 Share Option Scheme adopted by the Group must not in aggregate exceed 10% ("General Scheme Limit") of the Shares of the Company in issue on 22 May 2012, the date when the Company adopted the 2012 Share Option Scheme, was 107,704,500 Shares. The Company may renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares of the Company in issue as at the date of the shareholders' approval.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 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 shareholders of the Company, 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 ("Individual Limit").

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

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

The subscription price for the Shares under the 2012 Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

During the Review Year, the total number of Share Options that the Company granted to the employees including to the Directors amounted to 25,000,000. As at the date of the annual report, the number of Share Options that could still be granted under the 2012 Share Option Scheme was 45,025,000, representing approximately 3.92% of the 1,147,161,500 Shares in issue as at 20 March 2019, being the date of the annual 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 Year	Exercised during the Review Year	Lapsed during the Review Year	Outstanding as at 31 December 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 connected persons									
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
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	–	1,174,000	–	1,611,500	16–1–2014	1–6–2014 to 31–5–2019	15.84	38.26
	13,557,100	–	4,234,600	–	9,322,500	25–3–2015	1–1–2016 to 31–12–2020	14.08	42.58
	–	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	5,408,600	–	34,414,000				
Total	19,092,600	25,000,000	5,708,600	–	38,384,000				

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, and an executive Director of the Company.

Note 3: Spouse of Ms. Huang Chiung Hui, 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 Year, pursuant to the requirements and terms of the 2012 Share Option Scheme, 300,000 Share Options were exercised by Mr. Zhao Feng (executive Director), and 5,408,600 Share Options were exercised by the grantees who are not Directors.

Apart from the 2012 Share Option Scheme as disclosed above, no option was granted, exercised, cancelled or lapsed during the Review Year. Particulars of the Company's 2012 Share Option Scheme are set out in note 40 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Other than the 2012 Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Review Year or subsisted at the end of the Review Year.

DIRECTORS' RIGHTS IN PURCHASING SHARES OR DEBENTURE

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the annual report, no transactions, arrangements or contracts of significance to which the Company, its subsidiaries, the controlling shareholder of the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Review Year.

MANAGEMENT CONTRACT

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

SUBSTANTIAL SHAREHOLDERS

Interests or short positions in the Company

As at 31 December 2018, the interests or short positions of substantial Shareholders, other than the Directors or the chief executives of the Company, in the Shares and underlying shares of the Company as recorded in the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO are as follows:

Name of Substantial Shareholder	**Capacity**	**Long/Short Position**	**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)	39.26%
Minth Holdings Limited	Beneficial owner	Long position	450,072,000 (Note 3)	39.26%
Commonwealth Bank of Australia	Interest of controlled corporations	Long position	92,314,299 (Note 4)	8.05%
Matthews International Capital Management, LLC	Investment manager	Long position	80,763,000	7.05%
JPMorgan Chase & Co.	Interest of controlled corporations	Long position Short position	13,890,240 15,301,962 (Note 5)	1.21% 1.33%
	Investment manager	Long position Short position	10,660,468 34,000	0.93% 0.00%
	Approved lending agent	Long position	32,925,440	2.87%

Note 1: The percentage of the Company's issued share capital of 1,146,252,500 Shares as at 31 December 2018.

Note 2: As at 31 December 2018, Minth Holdings was beneficially interested in 450,072,000 Shares. Minth Holdings was wholly-owned by Mr. Chin and he was 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 was deemed to be interested in the 450,072,000 Shares in which Mr. Chin was deemed to be interested.

Note 3: As at 31 December 2018, Minth Holdings, a company wholly-owned by Mr. Chin, was beneficially interested in 450,072,000 Shares.

Note 4: As at 31 December 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 31 December 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 JPMorgan Chase & Co.

Other than as disclosed above, as at 31 December 2018, the Company had not been acknowledged by any person of any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

PURCHASE, SALE OR REDEMPTION OF SHARES 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 Year.

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into a framework agreement with Jiaxing Futing Mechanical Co., Ltd.* (嘉興富廷機械有限公司) on 28 December 2017 in respect of the Group's purchase of finished or semi-finished moulds and related equipment and auxiliary materials for three years commencing from 28 December 2017 to 27 December 2020. Further details of the framework agreement are set out in the Company's announcement dated 28 December 2017.

Save for the above, during the Review Year, the Group did not enter into any continuing connected transactions which is subject to the reporting, annual review, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

REMUNERATION POLICY

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

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

The Company has adopted the 2012 Share Option Scheme as an incentive to Directors and eligible employees, details of the 2012 Share Option Scheme are set out on pages 35 to 37 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND COMPLIANCE WITH MODEL CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Code. None of the Directors is aware of any information that would reasonably indicate that the Company did not, at any time during the corresponding periods of the Review Year, comply with the Code.

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

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 and 2018 interim report, the Group is not engaged in any litigation or arbitration of material importance during the Review Year. On 31 August 2016, the SFC amended its petition in the court proceedings to add further particulars. The trial for the court proceedings has been scheduled from 14 October 2019 to 15 November 2019 (with 29 November 2019 reserved for closing submissions).

EVENT AFTER THE REPORTING PERIOD

No significant events occurred after the reporting period which would have a material adverse impact on the final position of the Company.

PRE-EMPTIVE RIGHTS

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

AUDITOR

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

UPDATES ON BIOGRAPHICAL DETAILS OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, save for the remuneration paid to the Directors during the Review Year set out in note 12 to the consolidated financial statements, there is no other information required to be disclosed.

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

Hong Kong, 20 March 2019

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Minth Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 45 to 160, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables *(Refer to Notes 26 and 44 to the consolidated financial statements)* We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As at 31 December 2018, the Group's net trade receivables amounting to approximately Renminbi ("RMB") 3,117,535,000, which represented approximately 14.7% of total assets of the Group. As disclosed in note 44 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. As disclosed in note 44 to the consolidated financial statements, the Group recognised an additional amount of RMB16,675,000 of impairment of trade receivables for the year and the Group's lifetime ECL on trade receivables as at 31 December 2018 amounted to approximately RMB37,951,000.	Our procedures in relation to impairment assessment of trade receivables included: • Understanding key controls on how the management estimates the loss allowance for trade receivables; • Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at 31 December 2018, on a sample basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices and other supporting documents; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 31 December 2018, including their identification of credit impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); • Evaluating the disclosures regarding the impairment assessment of trade receivables in notes 26 and 44 to the consolidated financial statements; and • Testing subsequent settlements of credit impaired trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wong Tin Chak, Samuel.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Revenue	5	**12,553,202**	11,384,495
Cost of sales		**(8,530,179)**	(7,535,027)
Gross profit		**4,023,023**	3,849,468
Investment income	7	**108,881**	88,845
Other income	8	**179,284**	263,965
Other gains and losses	9	**(87,162)**	146,643
Distribution and selling expenses		**(519,675)**	(480,788)
Administrative expenses		**(941,098)**	(851,590)
Research expenditure		**(590,609)**	(463,682)
Interest expenses		**(137,507)**	(94,915)
Share of (losses) profits of joint ventures		**(6,410)**	2,426
Share of profits of associates		**17,347**	27,924
Profit before tax		**2,046,074**	2,488,296
Income tax expense	10	**(333,534)**	(395,564)
Profit for the year	11	**1,712,540**	2,092,732
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Gain on remeasurement of defined benefit obligation		**3,093**	2,173
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**55,154**	51,487
Fair value (loss) gain on:			
available-for-sale investments		**–**	66,615
debt instruments measured at fair value through other comprehensive income		**(19)**	–
Income tax relating to items that may be reclassified subsequently		**–**	(9,992)
Cumulative gain reclassified to profit or loss upon disposal of available-for-sale investments, net of income tax		**–**	(85,580)
Other comprehensive income for the year, net of income tax		**58,228**	24,703
Total comprehensive income for the year		**1,770,768**	2,117,435
Profit for the year attributable to:			
Owners of the Company		**1,660,636**	2,025,254
Non-controlling interests		**51,904**	67,478
		1,712,540	2,092,732
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,714,470**	2,049,162
Non-controlling interests		**56,298**	68,273
		1,770,768	2,117,435
Earnings per share	14		
Basic		**RMB1.451**	RMB1.782
Diluted		**RMB1.440**	RMB1.761

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	15	**7,933,121**	6,246,257
Prepaid lease payments	16	**745,629**	745,002
Goodwill	17	**97,505**	83,228
Other intangible assets	18	**63,281**	49,978
Interests in joint ventures	19	**98,720**	105,768
Interests in associates	20	**215,062**	355,001
Derivative financial assets	29	**–**	30,507
Loan receivables	22	**6,000**	6,021
Deferred tax assets	23	**149,208**	104,962
Prepayment for acquisition of a subsidiary	36	**–**	69,195
Prepayment for acquisition of property, plant and equipment		**163,611**	255,826
Contract assets	27	**582,333**	–
Contract costs	28	**64,981**	–
Plan assets	41	**1,788**	–
		10,121,239	8,051,745
Current assets			
Prepaid lease payments	16	**19,352**	18,911
Inventories	24	**1,974,480**	2,077,761
Loan receivables	22	**2,000**	20,816
Property under development	25	**15,347**	55,352
Trade and other receivables	26	**4,207,395**	4,017,330
Derivative financial assets	29	**4,878**	1,202
Debt instruments at fair value through other comprehensive income	21	**335,864**	–
Pledged bank deposits	30	**65,663**	16,244
Bank balances and cash	30	**4,521,870**	3,849,601
		11,146,849	10,057,217
Current liabilities			
Trade and other payables	31	**3,291,632**	2,890,107
Tax liabilities		**136,218**	133,237
Borrowings	33	**4,091,130**	2,493,574
Contract liabilities	32	**72,685**	–
Derivative financial liabilities	29	**1,170**	25,737
		7,592,835	5,542,655
Net current assets		**3,554,014**	4,514,562
Total assets less current liabilities		**13,675,253**	12,566,307

	NOTES	2018 RMB'000	2017 RMB'000
Capital and reserves			
Share capital	34	**114,902**	114,425
Share premium and reserves		**13,045,512**	11,998,709
Equity attributable to owners of the Company		**13,160,414**	12,113,134
Non-controlling interests	35	**268,292**	284,971
Total equity		**13,428,706**	12,398,105
Non-current liabilities			
Deferred tax liabilities	23	**67,405**	48,265
Retirement benefit obligation	41	**15,471**	15,646
Derivative financial liabilities	29	**759**	2,879
Other long-term liability	42	**162,912**	101,412
		246,547	168,202
		13,675,253	12,566,307

The consolidated financial statements on pages 45 to 160 were approved and authorised for issue by the board of directors (the "Board") on 20 March 2019 and are signed on its behalf by:

Chin Jong Hwa
DIRECTOR

Huang Chiung Hui
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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	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 year	–	–	–	–	–	–	–	–	–	2,025,254	2,025,254	67,478	2,092,732
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	50,692	–	–	50,692	795	51,487
Fair value gain on available-for-sale investments	–	–	–	–	–	–	66,615	–	–	–	66,615	–	66,615
Income tax relating to components of other comprehensive income	–	–	–	–	–	–	(9,992)	–	–	–	(9,992)	–	(9,992)
Reclassified to profit or loss upon disposal of available-for-sale investments, net of tax	–	–	–	–	–	–	(85,580)	–	–	–	(85,580)	–	(85,580)
Remeasurement of defined benefit obligation	–	–	–	–	–	–	–	–	–	2,173	2,173	–	2,173
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(28,957)	50,692	–	2,027,427	2,049,162	68,273	2,117,435
Recognition of share-based payments (note 40)	–	–	–	–	–	–	–	–	10,810	–	10,810	–	10,810
Transfer to reserve fund	–	–	–	–	172,007	21,760	–	–	–	(193,767)	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	(1,570)	–	–	–	–	–	–	(1,570)	1,570	–
Transfer to other reserve for share options forfeited after the vesting date	–	–	–	523	–	–	–	–	(523)	–	–	–	–
Dividends recognised as distribution (note 13)	–	–	–	–	–	–	–	–	–	(676,043)	(676,043)	–	(676,043)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(44,667)	(44,667)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	1,603	1,603
Exercise of share options	893	165,544	–	–	–	–	–	–	(33,176)	–	133,261	–	133,261
At 31 December 2017	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

	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	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 year	-	-	-	-	-	-	-	-	-	1,660,636	1,660,636	51,904	1,712,540
Other comprehensive expense for the year	-	-	-	-	-	-	(19)	-	-	-	(19)	-	(19)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	52,483	-	-	52,483	2,671	55,154
Remeasurement of defined benefit obligation	-	-	-	-	-	-	-	-	-	1,370	1,370	1,723	3,093
Total comprehensive (expense) income for the year	-	-	-	-	-	-	(19)	52,483	-	1,662,006	1,714,470	56,298	1,770,768
Recognition of share-based payments (note 40)	-	-	-	-	-	-	-	-	73,702	-	73,702	-	73,702
Transfer to reserve fund	-	-	-	-	116,562	50,632	-	-	-	(167,194)	-	-	-
Acquisition of additional interest of a subsidiary (note 35)	-	-	-	(66,168)	-	-	-	-	-	-	(66,168)	(24,308)	(90,476)
Deemed acquisition of non-controlling interests (note 35)	-	-	-	(1,031)	-	-	-	-	-	-	(1,031)	(10,294)	(11,325)
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(117,448)	(117,448)
Dividends recognised as distribution (note 13)	-	-	-	-	-	-	-	-	-	(794,813)	(794,813)	-	(794,813)
Acquisition of a subsidiary (note 36)	-	-	-	-	-	-	-	-	-	-	-	69,387	69,387
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	500	500
Exercise of share options	477	86,862	-	-	-	-	-	-	(18,351)	-	68,988	-	68,988
At 31 December 2018	114,902	3,876,217	276,199	(22,930)	642,063	85,512	(5,919)	(85,299)	114,871	8,164,798	13,160,414	268,292	13,428,706

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

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

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 reserve are made out of profit after taxation of the statutory financial statements of the PRC subsidiaries. The amount and basis of allocation are decided by its respective board of directors annually. The statutory surplus reserve fund can be used to make up its prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue. The enterprise expansion fund are also appropriated out of profit after taxation of the statutory financial statements of the PRC subsidiaries subject to the approval by its respective board of directors annually, for the use of development and expanding the capital base of the PRC subsidiaries.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Operating activities		
Profit before tax	**2,046,074**	2,488,296
Adjustments for:		
Finance costs	**137,507**	94,915
Interest income	**(108,881)**	(83,128)
Dividends from available-for-sale investments	**–**	(5,717)
Share of losses (profits) of joint ventures	**6,410**	(2,426)
Share of profits of associates	**(17,347)**	(27,924)
Depreciation of property, plant and equipment	**620,501**	489,041
Amortisation of other intangible assets	**23,730**	18,162
Release of prepaid lease payments	**19,121**	18,079
Share-based payment expense	**73,702**	10,810
Fair value changes of other financial assets at fair value through profit or loss ("FVTPL")	**(35,109)**	(39,380)
Fair value changes of derivative financial instruments	**22,618**	36,469
Loss on disposal of property, plant and equipment	**10,459**	4,638
Gain on disposal of a subsidiary (note 37)	**(5,814)**	(103,821)
Gain on disposal of available-for-sale investments	**–**	(100,682)
Recognition of allowance for inventories	**25,633**	14,373
Allowance for trade and other receivables	**39,709**	13,538
Reversal of allowance for trade and other receivables	**(21,212)**	(9,223)
Net foreign exchange losses (gains)	**56,868**	(23,177)
Impairment loss recognised in respect of property, plant and equipment	**3,560**	15,132
Impairment loss recognised in respect of investment in an associate	**58,390**	–
Operating cash flows before movements in working capital	**2,955,919**	2,807,975
Increase in inventories	**(285,606)**	(523,992)
Increase in trade and other receivables	**(489,794)**	(579,513)
(Increase) decrease in property under development	**(9,581)**	286,227
Increase in trade and other payables	**439,315**	287,982
Increase in contract assets	**(161,645)**	–
Increase in contract costs	**(64,981)**	–
Increase in contract liabilities	**24,299**	–
Decrease in debt instruments at FVTOCI	**3,349**	–
Cash generated from operations	**2,411,275**	2,278,679
Income taxes paid	**(370,547)**	(403,304)
Net cash from operating activities	**2,040,728**	1,875,375

	2018 RMB'000	2017 RMB'000
Investing activities		
Proceeds from redemption of other financial assets and derivative financial instruments	**19,860,883**	14,760,993
Interest received	**147,441**	23,026
Dividend received from an associate	**–**	3,000
Dividend received from a joint venture	**10,000**	5,000
Dividend received from available-for-sale investments	**–**	5,717
Proceeds from disposal of available-for-sale investments	**–**	157,805
Proceeds from disposal of property, plant and equipment	**156,315**	86,042
Proceeds from disposal of other intangible assets	**–**	1,338
Investment in other financial assets and derivative financial instruments	**(19,848,090)**	(14,703,830)
Purchases of property, plant and equipment	**(2,226,620)**	(2,009,221)
Placement of pledged bank deposits	**(189,573)**	(15,474)
Withdrawal of pledged bank deposits	**145,291**	524,500
Purchases of prepaid lease payments for land use rights	**–**	(131,599)
Net cash inflow (outflow) arising on acquisitions of a subsidiary (note 36)	**49,100**	(69,195)
Net cash inflow (outflow) arising on disposal/deemed disposal of a subsidiary (note 37)	**46,670**	(19,832)
Repayment from a previously subsidiary (note 37)	**11,450**	–
Liquidation of a joint venture	**2,691**	–
Purchases of other intangible assets	**(36,712)**	(46,792)
Payment for investment in an associate	**–**	(7,500)
Payment for investment in joint ventures	**(11,704)**	(16,456)
Loan to an associate	**(2,000)**	(6,021)
Repayment from an associate	**20,837**	30,164
Net cash used in investing activities	**(1,864,021)**	(1,428,335)
Financing activities		
Repayment of borrowings	**(5,512,255)**	(2,859,068)
New borrowings raised	**7,027,579**	3,953,296
Dividends paid to owners of the Company	**(794,813)**	(676,043)
Dividends paid to non-controlling shareholders	**(117,448)**	(44,667)
Interest paid	**(137,132)**	(93,618)
Acquisition of additional interest in a subsidiary	**(90,476)**	–
Deemed acquisition of non-controlling interests	**(11,325)**	–
Proceeds from exercise of share options	**68,988**	133,261
Loan from the government (note 42)	**60,000**	100,000
Capital contributions from non-controlling shareholders	**500**	1,603
Net cash from financing activities	**493,618**	514,764
Net increase in cash and cash equivalents	**670,325**	961,804
Cash and cash equivalents at the beginning of the year	**3,849,601**	2,939,723
Effect of foreign exchange rate changes	**1,944**	(51,926)
Cash and cash equivalents at the end of the year	**4,521,870**	3,849,601
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**4,521,870**	3,849,601

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated under the Company Law of the Cayman Islands on 22 June 2005 and registered as an exempted company with limited liability. Its registered office is located at Royal Bank House–3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, Cayman Islands with effect from 12 May 2017. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1 December 2005. The Company acts as an investment holding company with its subsidiaries engaged in the design, development, manufacture, processing and sales of automobile body parts and moulds. The principal activities of the Company's subsidiaries are set out in note 46.

In the opinion of the directors of the Company (the "Directors"), the immediate and ultimate holding company of the Company is Minth Holdings Limited, a limited company incorporated in the British Virgin Islands on 7 January 2005, which was formerly known as Linkfair Investments Limited.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Hong Kong International Financial Reporting Interpretations Committee ("HK(IFRIC)")-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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

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.

The Group recognises revenue from the design, development, manufacture, processing and sales of automobile body parts and moulds.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impacts of transition to HKFRS 15 on retained profits 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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.1 HKFRS 15 *Revenue from Contracts with Customers* (Continued)

The following adjustments were made to the amounts recognised in the 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 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	Carrying amounts under HKFRS 15 at 1 January 2018* RMB'000
Non-current Assets					
Contract assets	(a)	–	–	420,688	420,688
Deferred tax assets	(c)	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.

Notes:

(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 are 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 tax liabilities, retained profits and non-controlling interests and decrease in that of deferred tax assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.1 HKFRS *15 Revenue from Contracts with Customers* (Continued)

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Note	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 RMB'000
Non-current Assets				
Contract assets		582,333	(582,333)	–
Contract costs	(d)	64,981	(64,981)	–
Deferred tax assets		149,208	15,148	164,356
Current Assets				
Inventories		1,974,480	429,846	2,404,326
Current Liabilities				
Trade and other payables		3,291,632	72,685	3,364,317
Contract liabilities		72,685	(72,685)	–
Capital and Reserves				
Share premium and reserves		13,045,512	(167,570)	12,877,942
Non-controlling interests		268,292	(16,132)	252,160
Non-current liabilities				
Deferred tax liabilities		67,405	(18,618)	48,787

Impact on the consolidated statement of profit or 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)	12,553,202	(161,645)	12,391,557
Cost of sales		(8,530,179)	97,256	(8,432,923)
Gross profit		4,023,023	(64,389)	3,958,634
Distribution and selling expenses	(d)	(519,675)	(64,981)	(584,656)
Profit before tax		2,046,074	(129,370)	1,916,704
Income tax expense		(333,534)	18,930	(314,604)
Profit for the year		1,712,540	(110,440)	1,602,100
Profit for the year attributable to:				
Owners of the Company		1,660,636	(103,494)	1,557,142
Non-controlling interests		51,904	(6,946)	44,958

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.1 HKFRS 15 Revenue from Contracts with Customers (Continued)

Impact on the consolidated statement of profit or loss and other comprehensive income (Continued)

Notes:

(d) The Group recognised contract costs in relation to incremental payments for obtaining future contracts of automobile parts 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 RMB161,645,000 for the year ended 31 December 2018.

Impact on the consolidated statement of cash flows

	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 RMB'000
OPERATING ACTIVITIES			
Profit before tax	2,046,074	(129,370)	1,916,704
Operating cash flows before movements in working capital	2,955,919	(129,370)	2,826,549
Increase in inventories	(285,606)	(97,256)	(382,862)
Increase in trade and other payables	439,315	24,299	463,614
Increase in contract assets	(161,645)	161,645	–
Increase in contract costs	(64,981)	64,981	–
Increase in contract liabilities	24,299	(24,299)	–
Cash generated from operations	2,411,275	–	2,411,275
Net cash from operating activities	2,040,728	–	2,040,728

2.2 HKFRS 9 *Financial Instruments and the related amendments*

In the current year, 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 and (3) general hedge accounting.

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.*

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.2 HKFRS 9 *Financial Instruments and the related amendments* (Continued)

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement 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 RMB'000	Debt instruments at FVTOCI RMB'000	Amortised cost (previously classified as loans and receivables) RMB'000	Financial liabilities at amortised cost RMB'000	Contract assets RMB'000	FVTOCI reserve RMB'000	Retained profits 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	–	–
Effect arising from initial application of HKFRS 9:								
Reclassification								
From loans and receivables	(a)	–	345,132	(345,132)	–	–	–	–
Remeasurement								
Impairment under ECL model	(b)	–	–	(6,044)	–	–	–	(6,044)
From amortised cost to fair value	(a)	–	(5,900)	–	–	–	(5,900)	–
Opening balance at 1 January 2018		3,093	339,232	6,972,008	5,004,963	420,688	(5,900)	7,400,723

Notes:

(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 bill 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 bill 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.2 HKFRS 9 *Financial Instruments and the related amendments* (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

Notes: (Continued)

(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 estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

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 insignificant.

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

As at 1 January 2018, additional credit loss allowance of RMB6,044,000 has been recognised against retained profits. The additional loss allowance is charged against trade receivables.

All loss allowances, including trade and other receivables as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 are as follows:

	Trade and other receivables
	RMB'000
At 31 December 2017 – HKAS 39	27,082
Amounts remeasured through opening accumulated profits	6,044
At 1 January 2018	33,126

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.3 Impacts on opening 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 consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line item affected. Line items that were not affected by the changes have not been included.

	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
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
Current Liabilities				
Trade and other payables	2,890,107	(48,386)	–	2,841,721
Contract liabilities	–	48,386	–	48,386
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 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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective

The Group has not applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 16 *Leases* (Continued)

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group had non-cancellable operating lease commitments amounting to RMB33,285,000 as disclosed in note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4. Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group has not reassessed whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group has elected the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

The Group has elected the practical expedient of applying a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment), and elected to account for those leases for which the lease term ends within 12 months of the date of initial application in the same way as short-term leases.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in related to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash- generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of associates and joint ventures is described below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

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.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

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 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.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress and freehold land less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Property under development

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

The Group as Lessor

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

The Group as Lessee

Operating leases payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and buildings

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Goodwill and fair value adjustments to identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Taxation

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

Current tax

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

Deferred tax

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax (Continued)

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income, in which case, the current and deferred tax are also recognised in other comprehensive income. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item "administrative expenses".

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Contributions from employees to defined benefit plans

Discretionary contributions made by employees reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plan specify that there will be contributions from employees, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by HKAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Research expenditure

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

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible, intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets 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; and
- the contractual terms 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 FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit- impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) 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, and foreign exchange gains and losses 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 allowances 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.

(iii) 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 includes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

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, contract assets, bank balances and cash, pledge bank deposits and debt instruments at FVTOCI). 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. The ECL on these assets are assessed individually for debtors credit-impaired and/or 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.

(i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(i) Significant increase in credit risk (Continued)

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 regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is 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. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 *Leases*.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables and contract assets are each assessed as a separate group. All other instruments are assessed for expected credit losses on an individual basis);
- Historical default rate;
- Rank, size, industry and financial performance of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)

(v) Measurement and recognition of ECL (Continued)

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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities at amortised cost

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Embedded derivatives (under HKFRS 9 since 1 January 2018)

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Equity-settled share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of the reporting period, the Group revises its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 26 and 44 respectively.

Useful lives, residual values and impairment of property, plant and equipment

The Directors determine the residual values, useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. In addition, the Directors assess impairment whenever events or changes in circumstances and technical innovation of automobile products indicate that the carrying amount of an asset may not be recoverable. As at 31 December 2018, the carrying amount of the Group's property, plant and equipment was RMB7,933,121,000(net of accumulated impairment loss of RMB31,126,000) (31 December 2017: carrying amount of RMB6,246,257,000 (net of accumulated impairment loss of RMB39,440,000)).

Allowances for inventories

The Directors reviews the aging of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or saleable in the market. The Directors estimate the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. As at 31 December 2018, the carrying amount of inventories was RMB1,974,480,000 (net of allowance for inventories of RMB74,869,000) (31 December 2017: carrying amount of inventories is RMB2,077,761,000 (net of allowance for inventories of RMB55,242,000)).

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. A valuation team has been set up, which is headed up by the Chief Financial Officer ("CFO") of the Group, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The CFO works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

As at 31 December 2018, the fair values of debt instruments at FVTOCI, derivative financial assets and derivative financial liabilities were estimated to be RMB335,864,000 (31 December 2017: Nil), RMB4,878,000 (31 December 2017: RMB31,709,000) and RMB1,929,000 (31 December 2017: RMB28,616,000), respectively.

5. REVENUE

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	Automobile body part RMB'000	Mould RMB'000	Total RMB'000
Types of goods or service			
Sales of goods	11,286,904	1,266,298	12,553,202
Geographical markets			
The PRC	6,962,186	677,981	7,640,167
Other countries	4,324,718	588,317	4,913,035
Total	11,286,904	1,266,298	12,553,202

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

(ii) Performance obligations for contracts with customers

Sales of automobile body parts

The Group sells automobile body parts directly to customers in accordance with the orders from and framework contracts entered with the customers. Revenue is recognised when control of the products has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the products have been accepted by the customer. The normal credit term is 60 to 90 days upon delivery. When the customer pay in advance for the orders, the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

Development of moulds

The Group develops moulds for customers in accordance with the requirements specified in the relevant contract entered with the customers. Revenue is recognised when the development of moulds is completed and accepted by the customer. Acceptance occurs when the mould have been verified and confirmed by the customer. For those the consideration for the development of moulds are paid separately, the normal credit term is 60 to 90 days upon acceptance. When the customer pay in advance for the orders, the transaction price received by the Group is recognised as a contract liability until the revenue in respect of moulds have been recognized.

Where a contract contains both development of moulds and sales of the relevant automobile body parts, the mould development is regarded as a separate performance obligation other than the delivery of automobile body parts. Revenue is recognised when the development of moulds is completed and accepted by the customer. Transaction price is allocated between sales of automobile body parts and the development of moulds on a stand-alone selling price basis. The transaction price allocated to the development of moulds is recognised as contract assets at the time of revenue recognized and until the right to consideration becoming unconditional (i.e. over the period of delivery of relevant automobile body parts).

5. REVENUE (CONTINUED)

A. For the year ended 31 December 2018 (Continued)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	For the year ended 31 December 2018 Mould RMB'000
Within one year	**1,229,744**
More than one year but not more than two years	**908,233**
More than two years	**443,898**
	2,581,875

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year is as follows:

	2017 RMB'000
Sales of goods	11,384,495

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on goods or services delivered or provided to the Group's customers in different geographic locations. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable and geographic segment of the Group.

Segment revenue and results

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

For the year ended 31 December 2018

	The PRC RMB'000	North America RMB'000	Europe RMB'000	Asia Pacific RMB'000	Consolidated RMB'000
Revenue					
External sales	**7,640,167**	**2,376,580**	**1,890,297**	**646,158**	**12,553,202**
Segment profit	**2,575,517**	**540,912**	**709,858**	**178,239**	**4,004,526**
Investment income					**108,881**
Other unallocated income, gains and losses					**110,619**
Unallocated expenses					**(2,051,382)**
Interest expenses					**(137,507)**
Share of losses of joint ventures					**(6,410)**
Share of profits of associates					**17,347**
Profit before tax					**2,046,074**
Income tax expense					**(333,534)**
Profit for the year					**1,712,540**

For the year ended 31 December 2017

	The PRC RMB'000	North America RMB'000	Europe RMB'000	Asia Pacific RMB'000	Consolidated RMB'000
Revenue					
External sales	7,002,318	2,304,437	1,443,442	634,298	11,384,495
Segment profit	2,421,816	617,058	600,841	205,438	3,845,153
Investment income					88,845
Other unallocated income, gains and losses					414,923
Unallocated expenses					(1,796,060)
Interest expenses					(94,915)
Share of profits of joint ventures					2,426
Share of profits of associates					27,924
Profit before tax					2,488,296
Income tax expense					(395,564)
Profit for the year					2,092,732

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

The accounting policies of the reportable and geographic segments are the same as the Group's accounting policies described in note 3. Segment profit represents the gross profit earned by each segment after adjusting the recognition and reversal of the allowance for trade and other receivables. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

Segment assets

	2018		2017	
	RMB'000	**%**	RMB'000	%
Trade and bill receivables				
The PRC	**2,564,630**	**12.1**	2,618,480	14.5
North America	**369,347**	**1.7**	298,455	1.6
Europe	**455,542**	**2.1**	276,115	1.5
Asia Pacific	**63,880**	**0.3**	48,912	0.3
Trade and bill receivables (including debt instruments at FVTOCI)	**3,453,399**	**16.2**	3,241,962	17.9
Unallocated assets	**17,814,689**	**83.8**	14,867,000	82.1
Total assets	**21,268,088**	**100.0**	18,108,962	100.0

The executive directors do not review segment liabilities as the production and the purchases of the Group are mainly located in the PRC. Therefore no further analysis of segment liabilities is presented.

Geographical information

The Group's operations are located in the PRC, the United States of America (the "USA"), Japan, Thailand, Germany and Mexico. Information about the Group's non-current assets is presented based on the geographical locations of the assets.

	2018	2017
	RMB'000	RMB'000
The PRC	**8,235,295**	6,564,749
Other countries	**1,728,948**	1,345,506
	9,964,243	7,910,255

Note: non-current assets excluded financial instruments, deferred tax assets and plan assets.

Information about major customer

No single customer contributed 10% or more to the Group's revenue for both 2018 and 2017.

7. INVESTMENT INCOME

	2018 RMB'000	2017 RMB'000
Interest on bank deposits	**108,258**	82,189
Interest on loan receivables	**623**	939
Dividends from available-for-sale investments	**–**	5,717
Total investment income	**108,881**	88,845

8. OTHER INCOME

	2018 RMB'000	2017 RMB'000
Government grants (note i)	**115,717**	140,291
Service and consultation income (note ii)	**13,523**	7,194
Sales of scrap and raw materials (note iii)	**21,670**	37,971
Rental income, net of outgoings	**8,443**	6,379
Sales of properties developed (note 25)	**3,039**	53,096
Others	**16,892**	19,034
Total	**179,284**	263,965

Notes:

(i) The amounts represent the various subsidies granted by the PRC local government authorities to group entities as incentives for their good performance in quality control or environmental protection, or involvement in the hi-tech know-how industry and product development activities. The government grants were unconditional and had been approved by the PRC local government authorities.

(ii) The Group provides certain maintenance, repairing and technical consultation services to customers, which are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. As a practical expedient, the Group has not disclosed the information of unsatisfied performance obligation since the performance obligation has an original expected duration of one year or less.

(iii) Revenue for sales of scrap and raw materials is recognised when control of the materials has transferred to the buyer, being at the point the goods are delivered to the buyer. As a practical expedient, the Group has not disclosed the information of unsatisfied performance obligation since the performance obligation has an original expected duration of one year or less.

9. OTHER GAINS AND LOSSES

	2018 RMB'000	2017 RMB'000
Net foreign exchange loss	**(14,561)**	(36,686)
Fair value changes of derivative financial instruments	**(22,618)**	(36,469)
Fair value changes of other financial assets at FVTPL	**35,109**	39,380
Allowance for trade and other receivables	**(39,709)**	(13,538)
Reversal of allowance for trade and other receivables	**21,212**	9,223
Impairment for property, plant and equipment (note 15)	**(3,560)**	(15,132)
Loss on disposal of property, plant and equipment	**(10,459)**	(4,638)
Gain on deemed disposal of a subsidiary (note 37)	**5,814**	103,821
Impairment for investment in an associate	**(58,390)**	–
Cumulative gain reclassified from other comprehensive income upon disposal of available-for-sale investments	**–**	100,682
Total	**(87,162)**	146,643

10. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Current tax:		
PRC Enterprise Income Tax	**392,407**	346,677
Other jurisdictions	**11,309**	18,546
Withholding tax paid	**163**	50,630
	403,879	415,853
Over provision in prior years:		
PRC Enterprise Income Tax	**(30,671)**	(44,538)
Deferred tax:		
Current year (credit) charge (note 23)	**(39,674)**	24,249
	333,534	395,564

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

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

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

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

10. INCOME TAX EXPENSE (CONTINUED)

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

(1) Those entities which are located in specific provinces of western China and engaged in specific encouraged industries would enjoy a preferential tax rate of 15% under the EIT Law until 31 December 2020.

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

Under the relevant tax law and implementation regulations of 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 offshore group entities in respect of the undistributed profits attributable to the Group as earned by the Group's PRC subsidiaries from 1 January 2008 onwards shall be subject to the withholding tax at 10% or a lower treaty rate. Under the relevant tax treaty, the 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 tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018		2017	
	RMB'000	**%**	RMB'000	%
Profit before tax	**2,046,074**		2,488,296	
Tax at the applicable income tax rate of 25% (2017: 25%) (note)	**511,519**	**25.0**	622,074	25.0
Tax effect of share of profits of associates and joint ventures	**(2,734)**	**(0.1)**	(7,588)	(0.3)
Tax effect of expenses not deductible for tax purpose	**12,636**	**0.6**	10,039	0.4
Tax effect of income not taxable for tax purpose	**(1,036)**	**(0.1)**	(1,429)	(0.1)
Tax effect of tax losses not recognised as deferred tax assets	**68,853**	**3.4**	47,098	1.9
Tax effect of utilisation of tax losses previously not recognised as deferred tax assets	**(4,190)**	**(0.2)**	(17,562)	(0.7)
Effect of tax concessions granted to the PRC subsidiaries	**(235,229)**	**(11.5)**	(226,953)	(9.1)
Withholding tax provision on the profits of the PRC subsidiaries	**20,660**	**1.0**	41,068	1.7
Tax effect of different tax rates of subsidiaries	**(6,520)**	**(0.3)**	(27,244)	(1.1)
Deferred tax charged at different tax rates	**246**	**–**	599	–
Over provision in respect of prior years	**(30,671)**	**(1.5)**	(44,538)	(1.8)
Tax charge and effective tax rate for the year	**333,534**	**16.3**	395,564	15.9

Note: The domestic tax rate (which is the PRC Enterprise Income Tax Rate) in the jurisdiction where the operation of the Group is substantially based in used.

11. PROFIT FOR THE YEAR

	2018 RMB'000	2017 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Cost of inventories as recognised (note)	**8,530,179**	7,535,027
Directors' remuneration (note 12)	**11,530**	9,526
Other staff's retirement benefits scheme contributions	**128,610**	101,999
Other staff's share-based payments	**69,114**	9,063
Other staff's salaries and allowances	**2,181,236**	1,921,184
Other staff's related welfares and benefits	**240,575**	226,711
Total staff costs	**2,631,065**	2,268,483
Less: Staff costs included in research expenditure	**(349,546)**	(292,498)
	2,281,519	1,975,985
Auditors' remuneration	**10,984**	8,806
Depreciation of property, plant and equipment	**620,501**	489,041
Less: Depreciation included in research expenditure	**(20,887)**	(12,987)
Capitalised in inventories	**(494,505)**	(392,290)
	105,109	83,764
Amortisation of other intangible assets	**23,730**	18,162
Release of prepaid lease payments	**19,121**	18,079
Operating lease of buildings	**45,197**	29,154
Rental income	**(14,018)**	(11,182)
Less: Outgoings	**5,575**	4,803
	(8,443)	(6,379)

Note:

Included in this amount is the recognition of allowance for inventories amounting to RMB25,633,000 (2017: RMB14,373,000).

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

The emoluments paid or payable to the Directors and the chief executive during the year were as follows:

		Other emoluments			
	Fees RMB'000	Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2018					
Executive directors:					
Mr. Chin	–	–	–	–	–
Zhao Feng	–	2,172	1,638	10	3,820
Huang Chiung Hui	–	3,447	1,638	12	5,097
Chin Chien Ya	–	837	328	–	1,165
	–	6,456	3,604	22	10,082

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Independent non-executive directors:					
Yu Zheng	174	–	328	–	502
Wang Ching	145	–	328	–	473
Wu Fred Fong	145	–	328	–	473
	464	–	984	–	1,448

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' and Chief Executive's emoluments (Continued)

		Other emoluments			
	Fees RMB'000	Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2017					
Executive directors:					
Mr. Chin (Redesignated from honorary chairman and non-executive director to chairman and executive director on 10 August 2017) (note)	–	–	–	–	–
Shi Jian Hui ("Mr. Shi") (Resigned on 10 August 2017) (note)	–	908	331	6	1,245
Zhao Feng	–	1,402	331	9	1,742
Bao Jian Ya ("Ms. Bao") (note) (Resigned on 31 May 2017)	–	441	331	7	779
Huang Chiung Hui	–	3,866	472	11	4,349
Chin Chien Ya	–	612	–	37	649
	–	7,229	1,465	70	8,764

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Non-executive director:					
Mr. Chin (note)	–	–	–	–	–

Independent non-executive directors:					
Yu Zheng	180	–	94	–	274
Wang Ching	150	–	94	–	244
Wu Fred Fong	150	–	94	–	244
	480	–	282	–	762

The non-executive director's and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Note: Mr. Chin was the only non-executive director since 26 May 2016. On 31 May 2017, Ms. Bao resigned as executive director of the Company. On 10 August 2017, Mr. Shi resigned as the chairman of the Board and executive director of the Company. Then, on the same day, Mr. Chin was redesignated from honorary chairman and non-executive director to the chairman of the Board and executive director.

During the year ended 31 December 2018, one director, Mr. Chin, waived emoluments of RMB600,000 (2017: one director waived emoluments of RMB600,000).

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employees' emoluments

During the year ended 31 December 2018, no emoluments had been paid by the Group to the Directors or the five highest-paid individuals referred to in (b) as an inducement to join or upon joining the Group or as a compensation for loss of office.

During the year, of the five highest-paid individuals, two (2017: two) were Directors whose emoluments are set out above. The emoluments of the remaining three (2017: three) highest-paid individuals are as follows:

	Salaries and other benefits RMB'000	**Share-based payments** RMB'000	**Retirement benefits scheme contributions** RMB'000	**Total** RMB'000
2018	**5,658**	**1,992**	**58**	**7,708**
2017	6,667	420	106	7,193

Their emoluments, including the Directors, are within the following bands:

	2018 No. of employees	2017 No. of employees
Hong Kong dollars ("HK$")		
HK$1,000,001 to HK$1,500,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	2
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	1
HK$4,000,001 to HK$4,500,000	**1**	–
HK$5,000,001 to HK$5,500,000	**–**	1
HK$5,500,001 to HK$6,000,000	**1**	–

13. DIVIDENDS

	2018 RMB'000	2017 RMB'000
Dividends recognised as distribution during the year:		
2017 Final – HK$0.850 (2016: final dividend HK$0.680) per share	**794,813**	676,043

At the annual general meeting held on 30 May 2018, a final dividend of HK$0.850 (2017: HK$0.680) per share totalling HK$973,176,000 (equivalent to RMB794,813,000) (2017: HK$773,584,000 (equivalent to RMB676,043,000)) in respect of the year ended 31 December 2017 was approved by the shareholders and subsequently paid to the shareholders of the Company.

A final dividend of HK$0.661 per share totalling HK$758,108,000 (equivalent to RMB664,255,000) for the year ended 31 December 2018 has been proposed by the Directors and is subject to approval by the shareholders in the annual general meeting to be held on 31 May 2019.

14. EARNINGS PER SHARE

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

	2018 RMB'000	2017 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**1,660,636**	2,025,254

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,144,813**	1,136,821
Effect of dilutive potential ordinary shares:		
Options	**8,633**	13,310
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,153,446**	1,150,131

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Furniture and equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2017	99,227	1,993,677	390,252	94,583	29,056	3,098,834	934,444	6,640,073
Exchange adjustments	7,892	38,574	710	4	183	49,630	1,646	98,639
Additions	10,326	10,748	8,537	2,697	2,326	315,489	1,482,361	1,832,484
Disposals	(1,777)	(20,616)	(10,473)	(2,000)	(1,273)	(151,639)	(11,394)	(199,172)
Derecognised on deemed disposal of a subsidiary (note 37)	–	–	(13,091)	–	(1,679)	(7,341)	(11,809)	(33,920)
Transfers	4,440	382,050	55,905	11,512	324	816,728	(1,270,959)	–
At 31 December 2017	120,108	2,404,433	431,840	106,796	28,937	4,121,701	1,124,289	8,338,104
Exchange adjustments	6,631	19,895	7,158	75	150	31,787	7,996	73,692
Additions	147	15,460	47,466	13,658	2,029	433,136	1,846,693	2,358,589
Disposals	(226)	(48,502)	(22,446)	(3,822)	(2,995)	(183,288)	(17,992)	(279,271)
Arising on acquisition of a subsidiary (note 36)	10,324	29,179	9,143	–	442	11,999	–	61,087
Transfers	–	332,531	49,851	1,692	1,677	1,075,352	(1,461,103)	–
At 31 December 2018	**136,984**	**2,752,996**	**523,012**	**118,399**	**30,240**	**5,490,687**	**1,499,883**	**10,552,201**
DEPRECIATION AND IMPAIRMENT								
At 1 January 2017	–	363,267	204,939	41,701	18,031	1,054,591	879	1,683,408
Exchange adjustments	–	3,190	395	4	101	13,004	(46)	16,648
Provided for the year	–	124,771	55,334	4,578	2,102	302,256	–	489,041
Impairment loss recognised in profit or loss (note)	–	–	–	–	–	14,873	259	15,132
Eliminated on disposals	–	(3,519)	(10,097)	(369)	(465)	(90,073)	–	(104,523)
Derecognised on deemed disposal of a subsidiary (note 37)	–	–	(4,615)	–	(554)	(2,690)	–	(7,859)
At 31 December 2017	–	487,709	245,956	45,914	19,215	1,291,961	1,092	2,091,847
Exchange adjustments	–	4,129	4,220	16	124	7,138	42	15,669
Provided for the year	–	126,493	67,319	15,038	3,168	408,483	–	620,501
Impairment loss recognised in profit or loss (note)	–	–	–	–	–	3,560	–	3,560
Eliminated on disposals	–	(35,045)	(6,106)	(2,981)	(2,272)	(66,093)	–	(112,497)
At 31 December 2018	**–**	**583,286**	**311,389**	**57,987**	**20,235**	**1,645,049**	**1,134**	**2,619,080**
CARRYING AMOUNT								
At 31 December 2018	**136,984**	**2,169,710**	**211,623**	**60,412**	**10,005**	**3,845,638**	**1,498,749**	**7,933,121**
At 31 December 2017	120,108	1,916,724	185,884	60,882	9,722	2,829,740	1,123,197	6,246,257

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis, after taking into account their estimated residual value, at the following rates per annum:

Freehold land	N/A
Buildings	2.6% – 5.8%
Furniture and equipment	9% – 18%
Leasehold improvements	18%
Motor vehicles	18%
Plant and machinery	8% – 9%

The freehold land is located in the USA, Mexico, Japan, Thailand and Germany, respectively.

The Group has no pledged freehold land and buildings (2017: nil) to secure any general banking facilities granted to group entities.

Note: During the year ended 31 December 2018, an impairment loss of RMB3,560,000 was recognised mainly representing the carrying amount of certain idle plant and machinery. (2017: an impairment loss of RMB15,132,000 was recognised mainly representing the carrying amount of certain idle plant and machinery and construction in progress.)

The disposal of property, plant and equipment in the current year was 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) ("Jiaxing Minhui") 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 RMB10,459,000 has been recognised as other losses.

16. PREPAID LEASE PAYMENTS

	2018 **RMB'000**	2017 RMB'000
Prepaid lease payments	**764,981**	763,913
Analysed for reporting purposes as:		
Current assets	**19,352**	18,911
Non-current assets	**745,629**	745,002
	764,981	763,913

Included in prepaid lease payments are land use rights located in the PRC with carrying amount of RMB29,612,000 (31 December 2017: RMB104,016,000) for which the land use right certificates have not been obtained. The Group is in the process of obtaining the certificates.

17. GOODWILL

	2018 RMB'000	2017 RMB'000
Cost and carrying amount		
Balance at beginning of year	**83,228**	83,228
Arising from acquisition of United Alloy-Tech Company Limited ("UATC") (note 36)	**14,277**	–
Balance at end of year	**97,505**	83,228

The goodwill held by the Group as at 31 December 2018 arose on (i) the acquisition of a subsidiary, Jiaxing Minrong Automotive Parts Co., Ltd. ("Jiaxing Minrong") in 2006; (ii) the acquisition of a subsidiary, Plastic Trim International, Inc. ("PTI") in 2014; (iii) the acquisition of a subsidiary, Jiaxing Dura Minth Automotive Parts Co., Ltd. ("Jiaxing Dura") in 2016; and (iv) the acquisition of a subsidiary, UATC in 2018.

Impairment test on goodwill

(i) Jiaxing Minrong

As at 31 December 2018, the carrying amount of goodwill allocated to the cash-generating unit of auto-parts manufacturing business of Jiaxing Minrong is RMB15,276,000 (31 December 2017: RMB15,276,000). The recoverable amount of the cash-generating unit is determined based on a value in use calculations. The key assumptions for the value in use calculations relate to the pre-tax discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with appropriate discount rate. Growth rate beyond the five-year period is assumed to be zero.

The management believes that any reasonably possible change in any of these key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. As at 31 December 2018, the recoverable amount of the cash-generating unit is greater than the carrying amount.

(ii) PTI

As at 31 December 2018, the carrying amount of goodwill allocated to the cash-generating unit of moulding and extrusion manufacturing of PTI is RMB31,131,000 (31 December 2017: RMB31,131,000). The recoverable amount of the cash-generating unit is determined based on a value in use calculations. The key assumptions for the value in use calculations relate to the pre-tax discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with appropriate discount rate. Growth rate beyond the five-year period is assumed to be zero.

The management believes that any reasonably possible change in any of these key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. As at 31 December 2018, the recoverable amount of the cash-generating unit is greater than the carrying amount.

17. GOODWILL (CONTINUED)

Impairment test on goodwill (Continued)

(iii) Jiaxing Dura

As at 31 December 2018, the carrying amount of goodwill allocated to the cash-generating unit of auto-parts manufacturing business of Jiaxing Dura is RMB36,821,000 (31 December 2017: RMB36,821,000). The recoverable amount of the cash-generating unit is determined based on a value in use calculations. The key assumptions for the value in use calculations relate to the pre-tax discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with appropriate discount rate. Growth rate beyond the five-year period is assumed to be zero.

The management believes that any reasonably possible change in any of these key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. As at 31 December 2018, the recoverable amount of the cash-generating unit is greater than the carrying amount.

(iv) UATC

As at 31 December 2018, the carrying amount of goodwill allocated to the cash-generating unit of auto-parts manufacturing business of UATC is RMB14,277,000. The recoverable amount of the cash-generating unit is determined based on a value in use calculations. The key assumptions for the value in use calculations relate to the pre-tax discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with appropriate discount rate. Growth rate beyond the five-year period is assumed to be zero.

The management believes that any reasonably possible change in any of these key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. As at 31 December 2018, the recoverable amount of the cash-generating unit is greater than the carrying amount.

18. OTHER INTANGIBLE ASSETS

	Emission rights RMB'000	Patent RMB'000	Technical know-how and trademark RMB'000	Total RMB'000
COST				
At 1 January 2017	–	1,621	154,839	156,460
Additions	11,056	–	35,736	46,792
Disposals	–	–	(3,367)	(3,367)
Derecognised on deemed disposal of a subsidiary (note 37)	–	–	(22,032)	(22,032)
Exchange adjustments	–	–	(43)	(43)
At 31 December 2017	11,056	1,621	165,133	177,810
Additions	10	–	36,702	36,712
Acquisition of a subsidiary (note 36)	–	–	48	48
Exchange adjustments	–	–	634	634
At 31 December 2018	**11,066**	**1,621**	**202,517**	**215,204**
AMORTISATION				
At 1 January 2017	–	1,621	112,325	113,946
Charge for the year	1,744	–	16,418	18,162
Eliminated on disposals	–	–	(2,029)	(2,029)
Derecognised on deemed disposal of a subsidiary (note 37)	–	–	(2,389)	(2,389)
Exchange adjustments	–	–	142	142
At 31 December 2017	1,744	1,621	124,467	127,832
Charge for the year	3,042	–	20,688	23,730
Exchange adjustments	–	–	361	361
At 31 December 2018	**4,786**	**1,621**	**145,516**	**151,923**
CARRYING AMOUNT				
At 31 December 2018	**6,280**	**–**	**57,001**	**63,281**
At 31 December 2017	9,312	–	40,666	49,978

The other intangible assets included above have definite useful lives over which the assets are amortised. The amortisation periods range from two to ten years.

19. INTERESTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Cost of unlisted investments in joint ventures	**93,035**	84,453
Exchange adjustments	**620**	637
Share of post-acquisition profits, net of dividends received	**5,065**	20,678
	98,720	105,768

As at 31 December 2018 and 2017, the Group had interests in the following joint ventures:

Name of entity	Country of incorporation and operation	Attributable equity interest of the Group 2018 %	Attributable equity interest of the Group 2017 %	Share capital	Principal activities
Wuhan Minth Nojima Automotive Parts Co., Ltd.* ("Wuhan Minth Nojima") 武漢敏島汽車零部件有限公司	the PRC	**50**	50	United States dollars ("US$") 4,700,000	Design, manufacture, develop and sales of automobile body parts
F&M Technology Limited* 富敏科技(上海)有限公司	the PRC	**N/A (note i)**	60	N/A	Development and sale of camera module for the automotive industry
Jiaxing Clean Wave E-Drive System Co., Ltd.* 克林威孚電驅動系統(嘉興)有限公司	the PRC	**51**	51	US$29,412,000	Research and development, production, sale and after sale services of electric drive systems
Haartz-Minth (Ningbo) Automotive Ltd.* ("Haartz-Minth") 哈茲敏實(寧波)汽車新材料有限公司	the PRC	**40**	40	US$18,000,000	Manufacture and sale of soft automotive interior trim materials and provide relevant technical services
Jiaxing Cenyield Mechanical Equipment Co., Ltd.* ("Jiaxing Cenyield ") 嘉興正億祥機械設備有限公司	the PRC	**51 (note ii)**	N/A	RMB20,000,000	Manufacture and sale of mechanical equipment and accessories and provide relevant technical services

* The English names are for identification purposes only.

Notes:

(i) During the year, F&M Technology Limited has been liquidated.

(ii) Jiaxing Cenyield was established on 8 June 2018 by the Group together with an independent third party. Pursuant to the shareholders agreement, unanimous consent from the directors is required to direct the relevant activities of the entity. As such, it is classified as a joint venture.

19. INTERESTS IN JOINT VENTURES (CONTINUED)

The summarised financial information in respect of the Group's material joint venture which is accounted for using the equity method is set out below, representing amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs:

(a) Wuhan Minth Nojima

	2018 **RMB'000**	2017 RMB'000
Current assets	**99,712**	114,869
Non-current assets	**13,906**	14,590
Current liabilities	**37,768**	43,700
Non-current liabilities	**5**	5
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**53,443**	57,564

	For the year ended 31 December 2018 **RMB'000**	For the year ended 31 December 2017 RMB'000
Revenue	**180,970**	216,936
Profit for the year	**10,091**	18,976
Dividend declared from the joint venture to the Group	**10,000**	5,000
The above profit for the year include the following: Depreciation and amortisation	**2,461**	2,557
Interest income	**1,528**	285
Income tax expense	**2,944**	6,036

19. INTERESTS IN JOINT VENTURES (CONTINUED)

(a) Wuhan Minth Nojima (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Wuhan Minth Nojima recognised in the consolidated financial statements:

	2018 RMB'000	2017 RMB'000
Net assets of Wuhan Minth Nojima	**75,845**	85,754
Proportion of the Group's ownership interest in Wuhan Minth Nojima	**50%**	50%
Carrying amount of the Group's interest in Wuhan Minth Nojima	**37,923**	42,877

(b) Haartz-Minth

	2018 RMB'000	2017 RMB'000
Current assets	**23,067**	15,004
Non-current assets	**69,555**	64,047
Current liabilities	**11,535**	1,401
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**11,272**	2,541

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Revenue	**5,961**	–
Loss for the year	**(15,576)**	(4,637)
The above loss for the year include the following: Depreciation and amortisation	**4,805**	46
Interest income	**67**	8
Income tax expense	**–**	–

19. INTERESTS IN JOINT VENTURES (CONTINUED)

(b) Haartz-Minth (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Haartz-Minth recognised in the consolidated financial statements:

	2018 RMB'000	2017 RMB'000
Net assets of Haartz-Minth	**81,087**	77,650
Proportion of the Group's ownership interest in Haartz-Minth	**40%**	40%
Carrying amount of the Group's interest in Haartz-Minth	**32,435**	31,060

Aggregate information of joint ventures that are not material

	2018 RMB'000	2017 RMB'000
The Group's share of loss	**(5,226)**	(5,207)
Aggregate carrying amount of the Group's interests in these joint ventures	**28,362**	31,831

20. INTERESTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Cost of unlisted investments in associates	**234,991**	234,991
Exchange adjustments	**(289)**	(533)
Share of post-acquisition profits, net of dividends received	**38,750**	120,543
Impairment (note)	**(58,390)**	–
	215,062	355,001

Note: During the year ended 31 December 2018, impairment loss of RMB58,390,000 was recognised in respect of the interest in an associate, Clean Wave Technologies Limited, because of the deteriorated decline of the technological and market environment in which the entity operates, and the Group estimated that the carrying amount of interests in associates cannot be recovered.

20. INTERESTS IN ASSOCIATES (CONTINUED)

As at 31 December 2018 and 2017, the Group had interests in the following associates:

Name of entity	Country of incorporation and operation	Attributable equity interest of the Group 2018 %	2017 %	Share capital 2018	2017	Principal activities
Guangzhou Tokai Minth Automotive Parts Co., Ltd ("Guangzhou Tokai Minth")* 廣州東海敏孚汽車部件有限公司	the PRC	**49.03**	49.03	**US$8,000,000**	US$8,000,000	Manufacture of automotive parts
Jiaxing TAB-MINTH Mobility Equipment Co., Ltd.* 嘉興豐實福祉汽車部件有限公司	the PRC	**35.00**	35.00	**US$1,000,000**	US$1,000,000	Wholesale, sales agency and import and export of automobile parts, and relevant technical consultancy, assembly and maintenance services
Wuhan Sankei Minth Automotive Parts Co., Ltd.* 武漢三惠敏實汽車零部件有限公司	the PRC	**30.00**	30.00	**US$7,500,000**	US$7,500,000	Manufacture and sales of exhaust systems for automobiles
Clean Wave Technologies Limited ("Clean Wave")	the USA	**13.20**	13.20	**Ordinary share: US$11,439 Preferences share: US$27,126,263**	Ordinary share: US$11,439 Preferences share: US$27,126,263	Producing the next generation of electric motors, power electronic controls for electric& hybrid electric vehicles
Yuyao Yongxing Automotive Parts Co., Ltd.* 余姚市敏永汽車零部件有限公司	the PRC	**30.00**	30.00	**RMB10,000,000**	RMB10,000,000	Design and manufacture of automotive parts and mould
Seat Metal Parts China Co., Ltd. (Seat Metal Parts)* 浙江車精汽車部件有限公司	the PRC	**10.00**	10.00	**RMB45,000,000**	RMB45,000,000	Design, manufacture and sales of automotive parts and mould
Jiangsu Min'an Electric Cars Co., Ltd. ("Jiangsu Min'an")* 江蘇敏安電動汽車有限公司 (note 37)	the PRC	**25.40**	25.40	**US$130,000,000**	US$130,000,000	Design, development and wholesale of automobile body parts for electric vehicle

* The English names are for identification purposes only.

20. INTERESTS IN ASSOCIATES (CONTINUED)

The summarised financial information in respect of each of the Group's material associates is set out below, representing amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

(a) Guangzhou Tokai Minth

	2018 RMB'000	2017 RMB'000
Current assets	**240,038**	219,750
Non-current assets	**52,541**	48,485
Current liabilities	**150,982**	45,600

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Revenue	**249,277**	243,016
Profit for the year	**46,471**	60,682

Reconciliation of the above summarised financial information to the carrying amount of the interest in Guangzhou Tokai Minth recognised in the consolidated financial statements:

	2018 RMB'000	2017 RMB'000
Net assets of Guangzhou Tokai Minth	**141,597**	222,635
Proportion of the Group's ownership interest in Guangzhou Tokai Minth	**49.03%**	49.03%
Carrying amount of the Group's interest in Guangzhou Tokai Minth	**69,425**	142,781

20. INTERESTS IN ASSOCIATES (CONTINUED)

(b) Jiangsu Min'an

	2018 RMB'000	2017 RMB'000
Current assets	**226,589**	412,021
Non-current assets	**1,277,130**	426,155
Current liabilities	**1,082,438**	387,495

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Revenue	**32,330**	–
Loss for the year	**(29,400)**	(5,878)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Jiangsu Min'an recognised in the consolidated financial statements:

	2018 RMB'000	2017 RMB'000
Net assets of the Jiangsu Min'an	**421,281**	450,681
Proportion of the Group's ownership interest in the Jiangsu Min'an	**25.4%**	25.4%
Other adjustments	**(688)**	(688)
Carrying amount of the Group's interest in the Jiangsu Min'an	**106,317**	113,695

Aggregate information of associates that are not individually material

	2018 RMB'000	2017 RMB'000
The Group's share of profit	**2,023**	1,283
Aggregate carrying amount of the Group's interests in these associates	**39,320**	98,525

21. DEBT INSTRUMENTS AT FVTOCI

	2018 RMB'000
Bill receivables	**335,864**

Bill receivables held by the Group as at 31 December 2018 will mature within 6 months.

Details of impairment assessment are set out in note 44.

22. LOAN RECEIVABLES

The loan receivables are due from an associate and a joint venture of the Group respectively, with maturity dates from 9 February 2019 to 13 December 2020 and carry fixed rates ranging from 4.350% to 6.175% per annum.

	2018 RMB'000	2017 RMB'000
Analysed for reporting purposes as		
Current assets	**2,000**	20,816
Non-current assets	**6,000**	6,021
	8,000	26,837

23. DEFERRED TAXATION

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

Deferred tax assets:

	Allowance for financial assets RMB'000	Allowance for inventories RMB'000	Impairment for property, plant and equipment RMB'000	Unrealised profit for intra-group transactions RMB'000	Temporary differences of expense RMB'000	Tax loss carry forwards RMB'000	Retirement benefit obligation RMB'000	Total RMB'000
At 1 January 2017	3,054	13,428	14,762	53,163	13,645	662	6,410	105,124
Credit (charge) to profit or loss	906	(6,657)	(4,387)	(2,979)	1,631	11,901	–	415
Charge to other comprehensive income for the year	–	–	–	–	–	–	(577)	(577)
At 31 December 2017	3,960	6,771	10,375	50,184	15,276	12,563	5,833	104,962
Adjustment (see note 2)	–	–	–	(13,090)	–	–	–	(13,090)
At 1 January 2018 (restated)	**3,960**	**6,771**	**10,375**	**37,094**	**15,276**	**12,563**	**5,833**	**91,872**
(Charge) credit to profit or loss	**(963)**	**(582)**	**40**	**16,680**	**6,622**	**35,115**	**-**	**56,912**
Arising on acquisition of a subsidiary (note 36)	**-**	**-**	**-**	**-**	**426**	**-**	**-**	**426**
Charge to other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**
At 31 December 2018	**2,997**	**6,189**	**10,415**	**53,774**	**22,324**	**47,678**	**5,831**	**149,208**

23. DEFERRED TAXATION (CONTINUED)

Deferred tax liabilities:

	Temporary differences of income RMB'000	Fair value adjustments on acquisition of subsidiaries RMB'000	Withholding tax on undistributed dividends RMB'000	Available-for-sale investments RMB'000	Total RMB'000
At 1 January 2017	(21,083)	(6,808)	(38,580)	(5,110)	(71,581)
Credit to profit or loss	4,956	4,206	9,562	5,110	23,834
Exchange adjustments	(625)	107	–	–	(518)
At 31 December 2017	(16,752)	(2,495)	(29,018)	–	(48,265)
Adjustment (see note 2)	(1,746)	–	–	–	(1,746)
At 1 January 2018 (restated)	**(18,498)**	**(2,495)**	**(29,018)**	**–**	**(50,011)**
Credit (charge) to profit or loss	**759**	**2,500**	**(20,497)**	**–**	**(17,238)**
Arising on acquisition of a subsidiary (note 36)	**(78)**	**–**	**–**	**–**	**(78)**
Exchange adjustments	**–**	**(78)**	**–**	**–**	**(78)**
At 31 December 2018	**(17,817)**	**(73)**	**(49,515)**	**–**	**(67,405)**

At the end of the reporting period, the Group has following tax losses available for offset against future profits. Only deferred tax asset of RMB47,678,000 (31 December 2017: RMB12,563,000) has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

	2018 RMB'000	2017 RMB'000
Tax loss expire in 2018	**–**	8,088
Tax loss expire in 2019	**41,715**	74,007
Tax loss expire in 2020	**71,347**	84,608
Tax loss expire in 2021	**122,485**	124,496
Tax loss expire in 2022	**211,188**	211,996
Tax loss expire in and after 2023	**323,064**	7,952
	769,799	511,147

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not yet been provided for in the consolidated financial statements in respect of certain temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB12,451 million (31 December 2017: RMB9,068 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

24. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	**664,207**	521,509
Work in progress	**775,140**	658,438
Finished goods	**516,604**	414,827
Moulds	**18,529**	482,987
	1,974,480	2,077,761

During the year, allowance for inventories amounting to RMB25,633,000 has been recognised in cost of sales (2017: RMB14,373,000).

25. PROPERTY UNDER DEVELOPMENT

Property under development mainly represents land and buildings under construction located in Jiaxing City, Zhejiang Province, the PRC. The land are held under medium-term lease and are for construction of residential properties.

During the current year, property under development amounting to RMB4,936,000 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 37.

26. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables		
– associates	**18,205**	13,242
– joint ventures	**12,064**	11,962
– non-controlling shareholders of subsidiaries	**1,400**	474
– other related parties*	**1,773**	–
– third parties	**3,122,044**	2,893,189
Less: Allowance for credit losses	**(37,951)**	(22,037)
	3,117,535	2,896,830
Bill receivables	**–**	345,132
Other receivables	**200,861**	114,721
Less: Allowance for credit losses	**(6,350)**	(5,045)
	194,511	109,676
	3,312,046	3,351,638
Prepayments	**475,569**	422,510
Prepaid expense	**25,881**	13,590
Value-added tax recoverable	**229,723**	150,729
Insurance recoverables for loss of property, plant and equipment	**46,495**	–
Dividend receivable from an associate	**96,140**	–
Interest receivable	**21,541**	60,101
Refundable guarantee deposits	**–**	18,762
Total trade and other receivables	**4,207,395**	4,017,330

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

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group normally grants a credit period of 60 days to 90 days (2017: 60 days to 90 days) to customers effective from the date when the goods are delivered and accepted by customers. The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2018 RMB'000	2017 RMB'000
Age		
0 to 90 days	**2,880,046**	2,793,260
91 to 180 days	**166,187**	75,823
181 to 365 days	**53,868**	17,449
1 to 2 years	**10,844**	10,298
Over 2 years	**6,590**	–
	3,117,535	2,896,830

As at 31 December 2018, total bills received amounting to approximately RMB335,864,000 are held by the Group for settlement of trade receivables, and are measured at FVTOCI. Details are disclosed in note 21. All bills received by the Group are with a maturity period of less than 6 months.

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB285,010,000 which are past due as at the reporting date. Out of the past due balances, RMB98,230,000 has been past due 90 days or more and is not considered as in default. The Directors have considered the recoverable amount and credit quality of the relevant customers and concluded that the expected credit loss is not significant to the Group. The Group does not hold any collateral over these balances.

As at 31 December 2017, 94% of the trade receivables that are neither past due nor impaired have the high credit scoring attributable under the internal credit scoring system used by the Group.

As at 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB131,222,000 which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. Other than bills received amounting to RMB133,083,000, the Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired based on payment due dates.

	2017 RMB'000
0 to 90 days	91,111
91 to 180 days	14,350
181 to 365 days	15,825
1 to 2 years	9,936
	131,222

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for doubtful debts

	2017 RMB'000
1 January	23,311
Provision made during the year	13,538
Amounts recovered during the year	(9,223)
Amounts written off as uncollectible	(544)
31 December	27,082

Details of the provision of expected credit losses of trade and other receivables for the year ended 31 December 2018 are set out in note 44.

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

Original currencies	**US$** RMB'000	**Japanese Yen (“JPY”)** RMB'000	**Euro (“EUR”)** RMB'000	**HK$** RMB'000	**Mexico Peso (“MXN”)** RMB'000
At 31 December 2018	**147,342**	**147**	**208,600**	**14,884**	**18,764**
At 31 December 2017	109,170	124	111,484	14,243	12,398

27. CONTRACT ASSETS

	2018 **RMB'000**
Moulds development – Non-current	**582,333**

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

28. CONTRACT COSTS

	2018 RMB'000
Incremental costs to obtain contracts	**64,981**

Note: Contract costs capitalised as at 31 December 2018 relate to the incremental costs paid to strategic customers, in order to secure new sale and purchase agreements for the Group's products. Contract costs are recognised in the consolidated statement of profit or loss in the period in which revenue from the related product sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB363,000. There was no impairment in relation to the costs capitalised during the year.

The Group applies the practical expedient and recognises the incremental costs of obtaining contracts relating to the sale of products as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

29. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	2018 RMB'000	2017 RMB'000
Derivative financial assets		
Foreign exchange forward contracts (a)	**3,610**	978
Cross currency swap contracts (b)	**–**	224
Interest rate swap contracts (d)	**1,171**	1,757
Structural option contracts (c)	**47**	–
Call option (e)	**50**	28,750
	4,878	31,709
Derivative financial liabilities		
Foreign exchange forward contracts (a)	**1,170**	1,903
Cross currency swap contracts (b)	**–**	26,634
Interest rate swap contracts (d)	**759**	–
Structural option contracts (c)	**–**	79
	1,929	28,616
Analysed for reporting purpose as:		
Current assets	**4,878**	1,202
Non-current assets	**–**	30,507
	4,878	31,709
Current liabilities	**1,170**	25,737
Non-current liabilities	**759**	2,879
	1,929	28,616

29. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

(a) Foreign exchange forward contracts

At the end of the reporting period, the Group had the following outstanding foreign exchange forward contracts to mitigate its foreign currency exposure.

Major terms of these contracts are as follows:

31 December 2018

Notional amount	Maturity dates	Exchange rates
Sell US$39,000,000 Buy RMB269,434,970	25 January 2019 to 31 April 2019	US$1:RMB6.8523 to US$1:RMB6.9959
Sell RMB48,093,240 Buy US$7,000,000	31 January 2019 to 31 April 2019	RMB1:US$0.1453 to RMB1:US$0.1457
Sell EUR2,000,000 Buy US$2,492,835	16 January 2019 to 22 January 2019	EUR1:US$1.2370 to EUR1:US$1.2559
Sell US$1,236,978 Buy EUR1,000,000	22 January 2019	US$1:EUR0.7963
Sell EUR125,000,000 Buy RMB99,480,193	31 January 2019 to 30 April 2019	EUR1:RMB7.8447 to EUR1:RMB8.0590
Sell US$1,289,300 Buy GBP$1,000,000	24 January 2019 to 14 February 2019	US$1:GBP0.7635 to US$1:GBP0.7881
Sell US$600,000 Buy JPY67,748,212	18 January 2019	US$1:JPY112.6718 to US$1:JPY113.0976
Sell GBP$1,500,000 Buy US$1,952,175	24 January 2019 to 14 February 2019	GBP1:US$1.2975 to GBP1:US$1.3054

31 December 2017

Notional amount	Maturity dates	Exchange rates
Sell US$5,000,000 Buy RMB33,535,250	28 February 2018 to 3 December 2018	US$1: RMB6.6702 to US$1: RMB6.7703
Sell EUR2,000,000 Buy RMB15,784,879	31 January 2018 to 28 February 2018	EUR1: RMB7.8619 to EUR1: RMB7.9230
Sell US$100,000 Buy THB3,260,280	31 January 2018	US$1: THB36.6028
Sell RMB132,119,655 Buy US$20,000,000	28 February 2018 to 12 March 2018	RMB1: US$0.1499 to RMB1: US$0.1533
Sell EUR12,000,000 Buy US$14,318,538	31 January 2018 to 31 May 2018	EUR1:US$1.1864 to EUR1:US$1.2058
Sell US$1,879,015 Buy JPY213,035,355	4 January 2018 to 1 February 2018	US$1:JPY112.9601 to US$1:JPY114.0082

29. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

(b) Cross currency swap contracts

31 December 2017

Major terms of these contracts outstanding at 31 December 2017 are as follows:

Swaps	Maturity dates
From US$6,000,000 to EUR5,172,000 at the final maturity date and interest from US$-London Inter-Bank Offered Rate ("LIBOR") to –0.30% per annum, quarterly settlement	5 May 2016 to 5 May 2018
From US$2,243,000 to EUR2,000,000 at the final maturity date and interest from US$-LIBOR to –0.35% per annum, quarterly settlement	8 November 2016 to 8 November 2019
From US$2,240,000 to EUR2,000,000 at the final maturity date and interest from US$-LIBOR to –0.35% per annum, quarterly settlement	8 November 2016 to 8 November 2019
From US$2,256,000 to EUR2,000,000 at the final maturity date and interest from US$-LIBOR to –0.35% per annum, quarterly settlement	8 November 2016 to 8 November 2019
From RMB275,840,000 to US$40,000,000 at the final maturity date and interest from US$-LIBOR+0.6% to +3.8% per annum, quarterly settlement	30 March 2017 to 30 March 2018
From RMB138,020,000 to US$20,000,000 at the final maturity date and interest from US$-LIBOR+0.6% to +3.8% per annum, quarterly settlement	30 March 2017 to 30 March 2018

29. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

(c) Structural option contracts

31 December 2018

As of 31 December 2018, the Group had the following outstanding structural option contracts:

A structural option contract begins on 21 November 2018 with settlement date at 25 February 2019 regarding US$ against CNY:

At each valuation date:

(i) if the US$ to CNY reference rate (the "Reference Rate 1"), as defined in the agreement, is below 6.8300 (the "Fade Rate 1"), there would have no settlements;

(ii) if the Reference Rate 1 is equal to or between the Fade Rate 1 and 7.0320 (the "Strike Rate 1"), net settlement is calculated based on the difference between the Reference Rate 1 and the Strike Rate 1 times a notional amount of US$1,000,000, settled in CNY equivalent; and

(iii) if the Reference Rate 1 is greater than the Strike Rate 1, net settlement is calculated based on the difference between the Reference Rate 1 and the Strike Rate 1 times a notional amount of US$1,000,000 settled in CNY equivalent.

31 December 2017

As of 31 December 2017, the Group had the following outstanding structural option contracts:

A structural option contract begins on 1 December 2017 with settlement dates of 5 February 2018, 5 April 2018 and 5 June 2018 regarding JPY against US$:

At each valuation date:

(i) if the JPY to US$ reference rate (the "Reference Rate 1"), as defined in the agreement, is below 109 (the "Fade Rate 1"), there would have no settlements;

(ii) if the Reference Rate 1 is equal to or between the Fade Rate 1 and 114 (the "Strike Rate 1"), net settlement is calculated based on the difference between the Reference Rate 1 and the Strike Rate 1 times a notional amount of US$500,000, settled in JPY equivalent; and

(iii) if the Reference Rate 1 is greater than the Strike Rate 1, net settlement is calculated based on the difference between the Reference Rate 1 and the Strike Rate 1 times a notional amount of US$500,000 settled in JPY equivalent.

A structural option contract begins on 1 December 2017 with settlement dates of 5 February 2018, 5 April 2018 and 5 June 2018 regarding US$ against EUR:

At each valuation date:

(i) if the US$ to EUR reference rate (the "Reference Rate 2"), as defined in the agreement, is below 1.1760 (the "Fade Rate 2"), there would have no settlements;

29. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

(c) Structural option contracts (Continued)

31 December 2017 (Continued)

(ii) if the Reference Rate 2 is equal to or between the Fade Rate 2 and 1.2210 (the "Strike Rate 2"), net settlement is calculated based on the difference between the Reference Rate 2 and the Strike Rate 2 times a notional amount of EUR1,000,000, settled in US$ equivalent; and

(iii) if the Reference Rate 2 is greater than the Strike Rate 2, net settlement is calculated based on the difference between the Reference Rate 2 and the Strike Rate 2 times a notional amount of EUR1,000,000 settled in US$ equivalent.

A structural option contract begins on 1 December 2017 with settlement dates of 5 February 2018, 5 April 2018 and 5 June 2018 regarding US$ against EUR:

At each valuation date:

(i) if the US$ to EUR reference rate (the "Reference Rate 3"), as defined in the agreement, is below 1.1500 (the "Fade Rate 3"), there would have no settlements;

(ii) if the Reference Rate 3 is equal to or between the Fade Rate 3 and 1.2110 (the "Strike Rate 3"), net settlement is calculated based on the difference between the Reference Rate 3 and the Strike Rate 3 times a notional amount of EUR1,000,000, settled in US$ equivalent; and

(iii) if the Reference Rate 3 is greater than the Strike Rate of 1.2110, net settlement is calculated based on the difference between the Reference Rate 3 and the Strike Rate then times a notional amount of EUR1,000,000, settled in US$ equivalent.

(d) Interest rate swap contracts

31 December 2018

Major terms of the contracts outstanding at 31 December 2018 are as follows:

Notional amount	Maturity dates	Swaps
US$10,000,000	1 April 2017 to 29 March 2019	Interest from US$-LIBOR to fixed rate 0.99% on a quarterly basis
US$10,000,000	16 June 2017 to 14 June 2019	Interest from US$-LIBOR to fixed rate 0.93% on a quarterly basis
US$20,000,000	23 March 2018 to 23 March 2021	Interest from US$-LIBOR to fixed rate 2.67% on a quarterly basis
US$10,000,000	30 November 2018 to 4 December 2021	Interest from US$-LIBOR to fixed rate 2.99% on a quarterly basis

29. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

(d) Interest rate swap contracts (Continued)

31 December 2017

Major terms of the contracts outstanding at 31 December 2017 are as follows:

Notional amount	Maturity dates	Swaps
US$10,000,000	1 April 2016 to 29 March 2019	Interest from US$-LIBOR to fixed rate 0.99% on a quarterly basis
US$10,000,000	16 June 2016 to 14 June 2019	Interest from US$-LIBOR to fixed rate 0.93% on a quarterly basis

(e) Call option

As disclosed in note 37, the Group was entitled to a call option to purchase back certain equity interest in Jiangsu Min'an. The call option not exercised within the prescribed one-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 are charged into the profit or loss of the Group.

All the above derivative instruments are carried at fair value. The fair value measure of the derivative instruments is disclosed in note 44(c).

30. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

Bank balances carry interest at market rates which range from zero to 5.70% (2017: zero to 5.30%) per annum. The pledged bank deposits carry interest at fixed interest rates which range from 1.50% to 3.00% (2017: zero to 2.75%) per annum.

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

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

Original currencies	US$ RMB'000	EUR RMB'000	HK$ RMB'000	JPY RMB'000	MXN RMB'000
At 31 December 2018	**753,406**	**106,566**	**17,719**	**20,696**	**27,200**
At 31 December 2017	1,105,133	38,952	26,275	24,051	6,276

31. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables		
– associates	**71,662**	45,686
– joint ventures	**7,252**	8,792
– non-controlling shareholders of subsidiaries	**7,876**	77
– other related parties*	**62,919**	–
– third parties	**1,904,624**	1,672,620
	2,054,333	1,727,175
Bill payables	**201,906**	77,440
Other payables		
– associates	**173**	–
– joint ventures	**27**	354
– non-controlling shareholders of subsidiaries	**21,648**	32,346
– other related parties*	**877**	–
	22,725	32,700
	2,278,964	1,837,315
Payroll and welfare payables	**383,796**	390,443
Advance from customers	**–**	48,386
Consideration payable of acquisition of property, plant and equipment	**213,746**	227,740
Technology support services fees payable	**4,808**	1,885
Freight and utilities payable	**88,978**	83,965
Value-added tax payable	**36,740**	41,301
Interest payable	**7,436**	8,561
Rental payable	**6,534**	1,475
Deposits received	**6,173**	5,576
Others	**264,457**	243,460
Total trade and other payables	**3,291,632**	2,890,107

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

The average credit period on purchases of goods is 30 days to 90 days (2017: 30 days to 90 days).

31. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2018 **RMB'000**	2017 RMB'000
Age		
0 to 90 days	**1,804,626**	1,574,618
91 to 180 days	**122,441**	110,775
181 to 365 days	**59,439**	29,655
1 to 2 years	**59,678**	9,683
Over 2 years	**8,149**	2,444
	2,054,333	1,727,175

Bill payables held by the Group as at 31 December 2018 will mature within 8 months (31 December 2017: within 6 months).

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

Original currencies	**US$** RMB'000	**JPY** RMB'000	**EUR** RMB'000	**HK$** RMB'000	**MXN** RMB'000
As at 31 December 2018	**23,375**	**36,931**	**25,711**	**3,462**	**77,834**
As at 31 December 2017	50,978	43,089	25,349	10,215	60,609

32. CONTRACT LIABILITIES

	31/12/2018 **RMB'000**	01/01/2018* RMB'000
Sales of automobile body parts – Current	**6,195**	14,847
Sales of moulds – Current	**66,490**	33,539
	72,685	48,386

* The amounts in this column are after the adjustments from the application of HKFRS 15.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	Sales of automobile body parts and moulds RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	48,386

33. BORROWINGS

	2018 RMB'000	2017 RMB'000
Secured (note)	**150,000**	120,000
Unsecured	**3,941,130**	2,373,574
	4,091,130	2,493,574
Fixed-rate borrowings	**860,000**	320,000
Variable-rate borrowings	**3,231,130**	2,173,574
	4,091,130	2,493,574
Carrying amount repayable:		
Within one year	**4,091,130**	2,493,574

Note: As at 31 December 2018, the balance was secured by pledged bank deposits of the Group. As at 31 December 2017, the balance was secured by bill receivables of the Group.

The Group has variable-rate borrowings which carry interest at the LIBOR and Hong Kong Inter-Bank Offered Rate. Interest is repriced every one month, three months or one year.

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

	2018	2017
Effective interest rate:		
Fixed-rate borrowings	**4.05% to 4.57%**	3.96% to 4.35%
Variable-rate borrowings	**0.40% to 4.35%**	0.35% to 4.35%

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

Original currencies	**US$** RMB'000	**HK$** RMB'000	**EUR** RMB'000	**JPY** RMB'000
At 31 December 2018	**1,295,585**	**175,240**	**487,609**	**–**
At 31 December 2017	757,967	373,652	124,837	–

34. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2018 **'000**	2017 '000	**2018** **HK$'000**	2017 HK$'000
Ordinary shares of HK$ 0.1 each				
Authorised				
At beginning and end of year	**5,000,000**	5,000,000	**500,000**	500,000

	Number of shares		Share capital	
	2018 **'000**	2017 '000	**2018** **RMB'000**	2017 RMB'000
Issued and fully paid				
At beginning of year	**1,140,544**	1,130,354	**114,425**	113,532
Exercise of share options under the Company's employee share option scheme (note 40)	**5,709**	10,190	**477**	893
At end of year	**1,146,253**	1,140,544	**114,902**	114,425

35. NON-CONTROLLING INTERESTS

	2018 **RMB'000**	2017 RMB'000
Balance at end of prior year	**284,971**	258,192
Adjustment (see note 2)	**9,186**	–
Balance at beginning of year (Restated)	**294,157**	258,192
Share of total comprehensive income for the year	**56,298**	68,273
Capital contribution from non-controlling shareholders	**500**	1,603
Acquisition of additional interest in a subsidiary	**(24,308)**	1,570
Non-controlling interests arising on the acquisition of a subsidiary (note 36)	**69,387**	–
Deemed acquisition of non-controlling interests	**(10,294)**	–
Dividends declared to non-controlling shareholders during the year	**(117,448)**	(44,667)
Balance at end of year	**268,292**	284,971

35. NON-CONTROLLING INTERESTS (CONTINUED)

As at 31 December 2018 and 2017, the Group had following subsidiaries with non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/2018	31/12/2017	**31/12/2018**	31/12/2017	**31/12/2018**	31/12/2017
		%	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Guangzhou Minhui Automobile Parts Co., Ltd	the PRC as a wholly-owned foreign investment enterprise ("WOFE")	**30**	30	**24,680**	24,589	**53,076**	68,511
UATC	Taiwan	**55.82**	N/A	**(7,635)**	N/A	**65,094**	N/A
Wuhan Tokai Minth Automotive Parts Co., Ltd	the PRC as a foreign equity joint venture enterprise	**50**	50	**34,242**	35,877	**122,295**	102,024
Individually immaterial subsidiaries with non-controlling interests						**27,827**	114,436
						268,292	284,971

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

(i) Guangzhou Minhui Automobile Parts Co., Ltd.

	2018 RMB'000	2017 RMB'000
Current assets	**243,397**	396,018
Non-current assets	**251,623**	109,097
Current liabilities	**304,841**	233,754
Non-current liabilities	**8,487**	149
Equity attributable to owners of the Company	**128,616**	202,701
Non-controlling interests	**53,076**	68,511

35. NON-CONTROLLING INTERESTS (CONTINUED)

(i) Guangzhou Minhui Automobile Parts Co., Ltd. (Continued)

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Revenue	**873,332**	817,942
Expenses	**791,067**	735,979
Profit for the year	**82,265**	81,963
Profit attributable to owners of the Company	**57,585**	57,374
Profit attributable to non-controlling interests	**24,680**	24,589
Dividends declared to non-controlling shareholders	**–**	–
Net cash inflow from operating activities	**90,182**	88,636
Net cash outflow from investing activities	**(16,032)**	(27,641)
Net cash outflow from financing activities	**(143,967)**	(14)
Net cash (outflow) inflow	**(69,817)**	60,981

(ii) UATC

	2018 RMB'000
Current assets	**87,328**
Non-current assets	**78,914**
Current liabilities	**48,086**
Non-current liabilities	**1,050**
Equity attributable to owners of the Company	**52,012**
Non-controlling interests	**65,094**

35. NON-CONTROLLING INTERESTS (CONTINUED)

(ii) UATC (Continued)

	From date of acquisition to 31/12/2018 RMB'000
Revenue	**131,736**
Expenses	**145,413**
Loss for the period	**13,677**
Loss attributable to owners of the Company	**6,042**
Loss attributable to non-controlling interests	**7,635**
Dividends declared to non-controlling shareholders	**–**
Net cash inflow from operating activities	**2,830**
Net cash outflow from investing activities	**(1,999)**
Net cash inflow from financing activities	**5,913**
Net cash inflow	**6,744**

(iii) Wuhan Tokai Minth Automotive Parts Co., Ltd.

	2018 RMB'000	2017 RMB'000
Current assets	**187,950**	168,570
Non-current assets	**151,758**	121,074
Current liabilities	**94,489**	85,578
Non-current liabilities	**629**	18
Equity attributable to owners of the Company	**122,295**	102,024
Non-controlling interests	**122,295**	102,024

35. NON-CONTROLLING INTERESTS (CONTINUED)

(iii) Wuhan Tokai Minth Automotive Parts Co., Ltd. (Continued)

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2017 RMB'000
Revenue	**339,901**	331,245
Expenses	**271,417**	259,491
Profit for the year	**68,484**	71,754
Profit attributable to owners of the Company	**34,242**	35,877
Profit attributable to non-controlling interests	**34,242**	35,877
Dividends declared to non-controlling shareholders	**–**	35,667
Net cash inflow from operating activities	**45,669**	61,139
Net cash outflow from investing activities	**(14,260)**	(30,832)
Net cash outflow from financing activities	**–**	(71,333)
Net cash inflow (outflow)	**31,409**	(41,026)

36. 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 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, Mr. Chin would 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.

36. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	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

The fair value of trade and other receivables approximates its gross contractual amounts amounting to RMB25,931,000 at the date of acquisition, which is expected to be fully collected.

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.

36. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Goodwill arising on the acquisition

	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 profit for the year is loss of RMB13,677,000 arising from UATC. Revenue for the year includes RMB131,736,000 attributable to UATC.

Had the acquisition of UATC been completed on 1 January 2018, the total amount of revenue of the Group for the year would have been RMB12,586,782,000 and the amount of the profit for the year would have been RMB1,734,134,000. 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 on 1 January 2018, 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 current year, 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.

37. DISPOSAL OF A SUBSIDIARY

For the year ended 31 December 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, 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 (note)	(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
Less: bank balances and cash disposed of	(7)
	46,670

Note: Included in the current liabilities, RMB11,450,000 was due to Jiaxing Yuting, which had been fully repaid to the Group subsequent to the disposal.

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

During the year, the loss from Jiaxing Yuhui before the disposal date amounted to approximately RMB848,000 (2017: loss of approximately RMB163,000).

37. DISPOSAL OF A SUBSIDIARY (CONTINUED)

For the year ended 31 December 2018 (Continued)

Cash flows from Jiaxing Yuhui before the date of disposal:

	From 1 January to date of disposal RMB'000	Year ended 31 December 2017 RMB'000
Net cash outflow from operating activities	**(3,369)**	(243)
Net cash inflow from financing activities	**1,600**	–
Net cash outflow	**(1,769)**	(243)

For the year ended 31 December 2017

Deemed disposal of a subsidiary

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 (as redesignated on 10 August 2017) 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 (equivalent to RMB339,957,000) 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 interest 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.

For the details of the transaction, please refer to the Company's announcement on 2 March 2017.

As of 31 December 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

37. DISPOSAL OF A SUBSIDIARY (CONTINUED)

For the year ended 31 December 2017 (Continued)

Gain on deemed 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 before the deemed disposal is disclosed below:

During the year, the loss from Jiangsu Min'an before the date of disposal amounted to RMB17,380,000.

Cash flows from Jiangsu Min'an before the date of disposal:

	2017 RMB'000
Net cash outflow from operating activities	(21,607)
Net cash outflow from investing activities	(4,278)
Net cash inflow from financing activities	37,731
Net cash inflow	11,846

38. OPERATING LEASES

The Group as lessee

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

	2018 RMB'000	2017 RMB'000
Within one year	**10,706**	9,234
In the second to fifth year inclusive	**14,786**	12,411
After five years	**7,793**	8,005
	33,285	29,650

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

The Group as lessor

The Group lets a part of its buildings under operating leases. Property rental income earned during the year was RMB14,018,000 (2017: RMB11,182,000).

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

	2018 RMB'000	2017 RMB'000
Within one year	**15,832**	3,230
In the second to fifth year inclusive	**7,494**	29,217
	23,326	32,447

39. COMMITMENTS

	2018 RMB'000	2017 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisitions of property, plant and equipment	**382,399**	581,621

40. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme:

The Company's share option scheme (the "2005 Share Option Scheme") was adopted pursuant to a resolution passed on 13 November 2005 for the primary purpose of providing incentives to directors and eligible employees, and originally adopted for a term of 10 years. Under the 2005 Share Option Scheme, the Board may grant options to eligible employees, including the Directors of the Group, to subscribe for the shares of the Company. 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"). Detail of the 2012 Share Option Scheme refers to the announcement of the Company on 20 April 2012.

The Group has granted a series of share options in 2008, 2011, 2012, 2014 and 2015 under the 2005 Share Option Scheme and 2012 Share Option Scheme, respectively. On 10 April 2018, approved by the Board of Directors, the Group granted 25,000,000 share options to certain directors and employees under the 2012 Share Option Scheme, pursuant to which, 30% of the granted options can be exercised on or after 1 April 2019, 30% of the granted options can be exercised on or after 1 April 2020 and the remaining 40% of options can be exercised on or after 1 April 2021. The exercise price is HK$37.60. Details of the share options granted as above refer to the respective announcements made by the Company and were shown in the below table.

At 31 December 2018, the total number of shares in respect of which options had been granted and remained outstanding under the 2012 Share Option Scheme was 38,384,000 (2017: 19,092,600), representing 3.35% (2017: 1.67%) of the shares of the Company in issue at end of the reporting period.

Details of the specific categories of options are as follows:

Option type	Date of grant	Tranche	Vesting period	Exercise period	Exercise price HK$	Fair value at grant date HK$
2014-I	16/01/2014	A	16/01/2014 to 31/05/2014	01/06/2014 to 31/05/2019	15.84	3.99
	16/01/2014	B	16/01/2014 to 31/05/2015	01/06/2015 to 31/05/2019	15.84	4.64
	16/01/2014	C	16/01/2014 to 31/05/2016	01/06/2016 to 31/05/2019	15.84	4.97
	16/01/2014	E	16/01/2014 to 31/05/2014	01/06/2014 to 31/05/2019	15.84	3.63
	16/01/2014	F	16/01/2014 to 31/05/2015	01/06/2015 to 31/05/2019	15.84	4.43
	16/01/2014	G	16/01/2014 to 31/05/2016	01/06/2016 to 31/05/2019	15.84	4.86
2014-II	16/01/2014	A	16/01/2014 to 31/05/2015	01/06/2015 to 31/05/2019	15.84	4.64
	16/01/2014	B	16/01/2014 to 31/05/2016	01/06/2016 to 31/05/2019	15.84	4.97
	16/01/2014	C	16/01/2014 to 31/05/2017	01/06/2017 to 31/05/2019	15.84	5.22
2015	25/03/2015	A	25/03/2015 to 31/12/2015	01/01/2016 to 31/12/2020	14.08	3.54
	25/03/2015	B	25/03/2015 to 31/12/2016	01/01/2017 to 31/12/2020	14.08	3.91
	25/03/2015	C	25/03/2015 to 31/12/2017	01/01/2018 to 31/12/2020	14.08	4.13
	25/03/2015	E	25/03/2015 to 31/12/2015	01/01/2016 to 31/12/2020	14.08	3.68
	25/03/2015	F	25/03/2015 to 31/12/2016	01/01/2017 to 31/12/2020	14.08	4.00
	25/03/2015	G	25/03/2015 to 31/12/2017	01/01/2018 to 31/12/2020	14.08	4.19
2018-I (note)	10/04/2018	A	10/04/2018 to 01/04/2019	02/04/2019 to 31/12/2023	37.60	9.25
	10/04/2018	B	10/04/2018 to 01/04/2020	02/04/2020 to 31/12/2023	37.60	9.61
	10/04/2018	C	10/04/2018 to 01/04/2021	02/04/2021 to 31/12/2023	37.60	9.80
	10/04/2018	E	10/04/2018 to 01/04/2019	02/04/2019 to 31/12/2023	37.60	9.25
	10/04/2018	F	10/04/2018 to 01/04/2020	02/04/2020 to 31/12/2023	37.60	9.61
	10/04/2018	G	10/04/2018 to 01/04/2021	02/04/2021 to 31/12/2023	37.60	9.80
2018-II	10/04/2018	A	10/04/2018 to 01/04/2019	02/04/2019 to 31/12/2023	37.60	9.25
	10/04/2018	B	10/04/2018 to 01/04/2020	02/04/2020 to 31/12/2023	37.60	9.61
	10/04/2018	C	10/04/2018 to 01/04/2021	02/04/2021 to 31/12/2023	37.60	9.80

Note: For the share options granted in 2018, the tranche A, B and C are granted to directors, while the tranche E, F and G are granted to employees.

40. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme: (Continued)

The following tables disclose movements of the Company's share options held by employees and directors during the year ended 31 December 2018 and 2017:

2018:

Option type	Outstanding at 01/01/2018	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31/12/2018
2014-I-A	358,550	–	(358,550)	–	–
2014-I-B	579,550	–	(364,050)	–	215,500
2014-I-C	1,371,400	–	(485,400)	–	886,000
2014-I-E	196,250	–	(9,000)	–	187,250
2014-I-F	230,750	–	(9,000)	–	221,750
2014-I-G	415,000	–	(12,000)	–	403,000
2014-II-C	84,000	–	(36,000)	–	48,000
2015A	1,461,000	–	(1,132,080)	–	328,920
2015B	3,577,000	–	(1,132,080)	–	2,444,920
2015C	7,526,000	–	(1,509,440)	–	6,016,560
2015E	64,900	–	(64,900)	–	–
2015F	994,400	–	(255,470)	–	738,930
2015G	2,233,800	–	(340,630)	–	1,893,170
2018-I-A	–	420,000	–	–	420,000
2018-I-B	–	420,000	–	–	420,000
2018-I-C	–	560,000	–	–	560,000
2018-I-E	–	3,300,000	–	–	3,300,000
2018-I-F	–	3,300,000	–	–	3,300,000
2018-I-G	–	4,400,000	–	–	4,400,000
2018-II-A	–	3,780,000	–	–	3,780,000
2018-II-B	–	3,780,000	–	–	3,780,000
2018-II-C	–	5,040,000	–	–	5,040,000
	19,092,600	25,000,000	(5,708,600)	–	38,384,000
Exercisable at the end of the year					13,384,000
Weighted average exercise price	HK$14.38	HK$37.60	HK$14.47	–	HK$29.49

40. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme: (Continued)

2017:

Option type	Outstanding at 01/01/2017	Exercised during the year	Forfeited during the year (note)	Outstanding at 31/12/2017
2014-I-A	1,654,550	(1,296,000)	–	358,550
2014-I-B	1,875,550	(1,296,000)	–	579,550
2014-I-C	3,099,400	(1,728,000)	–	1,371,400
2014-I-E	269,750	(73,500)	–	196,250
2014-I-F	304,250	(73,500)	–	230,750
2014-I-G	513,000	(98,000)	–	415,000
2014-II-B	69,200	(69,200)	–	–
2014-II-C	142,800	(58,800)	–	84,000
2015A	3,589,700	(2,067,500)	(61,200)	1,461,000
2015B	5,705,700	(2,067,500)	(61,200)	3,577,000
2015C	7,607,600	–	(81,600)	7,526,000
2015E	772,550	(680,950)	(26,700)	64,900
2015F	1,702,050	(680,950)	(26,700)	994,400
2015G	2,269,400	–	(35,600)	2,233,800
	29,575,500	(10,189,900)	(293,000)	19,092,600
Exercisable at the end of the year				16,858,800
Weighted average exercise price	HK$14.55	HK$14.89	HK$14.08	HK$14.38

Note: The forfeiture represented the share options granted to the eligible directors and employees of the Group, which were forfeited upon their resignation in respective years.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$41.95 (2017: HK$32.70).

40. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme: (Continued)

The fair value of the options granted on 10 April 2018 are RMB192,395,000, which was calculated using the Binomial model. The inputs into the model were as follows:

	2018 Option
Grant date share price	HK$37.60
Exercise price	HK$37.60
Expected volatility	34%
Option life	5.73 years
Risk-free rate	1.69%
Expected dividend yield	2.77%
Early exercise multiple	2.07~2.10

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5.73 years. The expected life used in the model has been adjusted, based on management's best estimate for the effects of behavioural considerations.

The Group recognised the total expense of RMB73,702,000 (2017: RMB10,810,000) for the year ended 31 December 2018 in relation to share options granted by the Company.

41. RETIREMENT BENEFITS SCHEME

Defined contribution plans

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

The total cost charged to profit or loss of RMB128,356,000 (2017: RMB101,121,000) represents contributions paid to the retirement benefits scheme by the Group in respect of the current year.

Defined benefit plan

(a) PTI

The Group sponsors a funded defined benefit plan for qualified employees of PTI in the USA. The defined benefit plan is administered by a separate fund that is legally separated from the entity. The pension committee is composed of one or more members. The pension committee is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The pension committee is responsible for the investment policy with regard to the assets of the fund.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2018 by Cuni, Rust & Strenk, Fellow of the Society of Actuaries in the USA. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The pension plan has been frozen since 1 January 2007.

41. RETIREMENT BENEFITS SCHEME (CONTINUED)

Defined benefit plan (Continued)

(a) PTI (Continued)

The total cost charged to profit or loss is RMB179,000 (2017: RMB948,000), representing the net interest on the net defined benefit liability.

The actuarial valuation showed that the market value of plan assets was RMB38,188,000 (31 December 2017: RMB40,934,000) and that the actuarial value of these assets represented 71.17% (31 December 2017: 72.35%) of the benefits that had accrued to members. The shortfall of RMB15,471,000 (31 December 2017: RMB15,646,000) is to be cleared by the contributions to be made by the Group in the future years.

	2018 **RMB'000**	2017 RMB'000
Present value of funded defined benefit obligations	**53,659**	56,580
Fair value of plan assets	**(38,188)**	(40,934)
Funded status and net liability arising from defined benefit obligation	**15,471**	15,646

(b) UATC

The Group sponsors a funded defined benefit plan for qualifying employees of UATC in Taiwan, China. The defined benefit plan is administered by a separate fund that is legally separated from the entity. The pension committee is composed of one or more members. The pension committee is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The pension committee is responsible for the investment policy with regard to the assets of the fund.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2018 by Professional Actuary Management Consulting Co., Ltd., Fellow of the Institute of Actuaries in Taiwan, China. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The total cost charged to profit or loss is RMB97,000, representing the service cost and net interest on the net defined benefit liability.

The actuarial valuation showed that the market value of plan assets was RMB1,805,000 and that the actuarial value of these assets outweighs the benefits that had accrued to members.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plan is as follows:

	2018 **RMB'000**
Present value of funded defined benefit obligation	**(17)**
Fair value of plan assets	**1,805**
Funded status and net asset arising from defined benefit obligation	**1,788**

42. OTHER LONG-TERM LIABILITY

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 would enforce 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 year, 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 would enforce 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.

43. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Saved as disclosed elsewhere, the Group has the following significant transactions with related/connected parties during the year and prior year:

Relationship with related/connected party	Nature of transactions	2018 RMB'000	2017 RMB'000
A joint venture, in which the Company has a 50% equity interest	Sales of finished goods	**50,552**	57,699
	Sales of raw materials	**1,626**	111
	Sales of property, plant and equipment	**394**	–
	Purchases of raw materials	**32,767**	28,814
	Purchases of finished goods/semi-finished goods	**1,510**	2,995
	Purchases of property, plant and equipment	**–**	1,401
	Consulting services income	**1,121**	–
A joint venture, in which the Company has a 40% equity interest	Utilities income	**769**	225
	Property rentals income	**1,036**	730
An associate, in which the Company has a 35% equity interest	Sales of raw materials	**1,905**	2,923
An associate, in which the Company has a 49% equity interest	Sales of finished goods	**54,730**	56,944
	Sales of raw materials	**7,862**	4,220
	Sales of moulds	**6,438**	4,086
	Sales of property, plant and equipment	**2,206**	2,064
	Purchases of finished goods	**30,695**	10,582
	Purchases of moulds	**1,543**	3,510
	Purchases of raw materials	**5,959**	3,733
	Consulting services income	**3,273**	2,418
An associate, in which the Company has a 30% equity interest	Sales of finished goods/raw materials	**9,500**	1,665
	Purchases of finished goods	**650**	5,229
	Purchases of raw materials	**52,469**	12,397
An associate, in which the Company has a 25.4% equity interest	Sales of moulds	**6,097**	–
	Sales of property, plant and equipment	**10,681**	–
An associate, in which the Company has a 30% equity interest	Sales of finished goods	**25,583**	16,719
	Utilities income	**834**	974
	Property rentals income	**2,146**	2,155

43. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (CONTINUED)

Relationship with related/connected party	Nature of transactions	2018 RMB'000	2017 RMB'000
Non-controlling shareholders of subsidiaries	Sales of finished goods	**13,551**	24,842
	Purchases of raw materials and moulds	**24,108**	48,933
	Technology support services charges	**27,533**	33,904
Companies in which Mr. Chin and his family have control	Sales of raw materials	**4,445**	–
	Sales of moulds	**1,410**	–
	Purchases of finished goods	**2,192**	6,910
	Purchases of semi-finished moulds	**79,374**	–
	Purchases of moulds	**25,001**	–
	Purchases of raw materials/ semi-finished goods	**3,408**	–
	Technology support services charges	**18,298**	–

The remuneration of Directors and other members of key management during the year is as follows:

	2018 RMB'000	2017 RMB'000
Short-term benefits	**11,376**	16,517
Post-employment benefits	**43**	182
Share-based payments	**6,781**	2,262
	18,200	18,961

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

44. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets:		
Financial assets at amortised cost	**8,071,756**	–
Loans and receivables (including cash and cash equivalents)	**–**	7,323,184
Derivative financial assets	**4,878**	31,709
Debt instruments at FVTOCI	**335,864**	–
Financial liabilities:		
Amortised cost	**7,125,138**	5,004,963
Derivative financial liabilities	**1,929**	28,616

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, bank balances and cash, pledged bank deposits, debt instruments at FVTOCI, derivative financial assets/liabilities, borrowings, trade and other payables and other long-term liability. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

44. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk

(i) Currency risk

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

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

(2) Certain subsidiaries of the Group also have foreign currency denominated sales and purchases and certain trade receivables and payables of these subsidiaries are denominated in foreign currencies other than the functional currency of respective subsidiaries (i.e. RMB, US$, etc.).

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

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

	Liabilities		**Assets**	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
US$	**1,318,960**	808,945	**900,748**	1,214,303
EUR	**513,320**	150,186	**315,166**	150,436
JPY	**36,931**	43,089	**20,843**	24,175
HK$	**178,702**	383,867	**32,603**	40,518
MXN	**77,834**	60,609	**45.964**	18,674
	2,125,747	1,446,696	**1,315,324**	1,448,106

The Group also entered into certain foreign exchange forward contracts, currency swap contracts and structural option contracts to mitigate its foreign currency exposure.

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2017: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes (i) outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2017: 5%) change in foreign currency rates; (ii) outstanding foreign currency forward contracts adjusts for a 5% (2017: 5%) change in foreign currency rates at the year end; and (iii) outstanding structural option contracts and adjusts for a 5% (2017: 5%) change in foreign currency rates at the year end; and (iv) outstanding currency swap contracts and adjusts for a 5% (2017: 5%) change in foreign currency rates at the year end. A positive number below indicates an increase in post-tax profit where RMB strengthens 5% (2017: 5%) against the relevant currency while a negative number indicates a decrease in post-tax profit.

44. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

This sensitivity analysis also details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in US$ against the relevant foreign currencies. 5% (2017: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis include outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2017: 5%) change in foreign currency rates.

	2018 RMB'000	2017 RMB'000
If RMB strengthens against US$	**19,945**	(20,923)
If RMB weakens against US$	**(19,945)**	20,923
If RMB strengthens against EUR	**6,536**	1,252
If RMB weakens against EUR	**(6,536)**	(1,252)
If RMB strengthens against JPY	**675**	799
If RMB weakens against JPY	**(675)**	(799)
If RMB strengthens against HK$	**6,114**	14,438
If RMB weakens against HK$	**(6,114)**	(14,438)
If US$ strengthens against EUR	**78**	281
If US$ weakens against EUR	**(78)**	(281)
If US$ strengthens against MXN	**1,333**	1,763
If US$ weakens against MXN	**(1,333)**	(1,763)

44. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits and bank borrowings. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 30 and 33). The Group's exposures to interest rates on interest rate swap contracts, structural option contracts and cross currency swaps are detailed in the liquidity risk management section of this note. The Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate financial instruments (including bank balances and borrowings) at the end of the reporting period. The analysis is prepared assuming the balances outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis point (2017: 10 basis point) increase or decrease in interest rates on variable-rate bank balances and a 50 basis point (2017: 50 basis point) increase or decrease in interest rates on variable-rate borrowings represent management's assessment of the reasonably possible change in interest rates.

If interest rates on variable-rate bank balances had been 10 basis point (2017: 10 basis point) higher/lower and all other variables were held constant, the Group's post-tax profit would have increased/decreased by RMB2,625,000 (2017: increased/decreased by RMB1,566,000). If interest rates on variable-rate borrowings had been 50 basis point (2017: 50 basis point) higher/lower and all other variables were held constant, the Group's post-tax profit would have decreased/increased by RMB17,121,000 (2017: decreased/increased by RMB10,485,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and borrowings.

Credit risk and impairment assessment

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets and contract assets as stated in the consolidated statement of financial position.

Trade receivables and contract assets arising from contracts with customers

The customers of the Group are mainly sizable domestic and international automobile manufacturers and certified suppliers of those automobile manufacturers. The Group arrange production plan and deliver automobile body parts strictly following orders from customers in accordance with the production plan of the customers. For mould development, the Group require certain prepayment in advance before the commencement of development. Furthermore, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

44. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment (Continued)

The Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balances individually or based on provision matrix, in order to ensure that adequate impairment losses are made for the trade receivables and contract assets.

As part of the Group's impairment assessment, the Group uses provision matrix to assess the impairment 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. The provision matrix are based on internal credit ratings as groupings of various debtors that have similar loss patterns.

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.

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 on 12m ECL basis.

Debt instruments at FVTOCI

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

Liquid funds

The Group's credit risk on liquid funds is low because most of bank deposits are deposited in or contracted with several state-owned banks with good reputation and with high credit ratings assigned by international credit-rating agencies. No recognition of ECL on bank balances and pledged bank deposits is considered necessary, and there is no significant concentration of credit risk.

The Group has concentration of credit risk on trade receivables. At 31 December 2018, the Group's ten largest customers accounted for 45% (2017: 40%) of the total trade receivables.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 71% (2017: 81%) of the total trade receivables as at 31 December 2018.

44. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

2018	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000
Debt instruments at FVTOCI	21	N/A	12-month ECL	335,864
Financial assets at amortised costs				
Loan receivables	22	(Note 1)	12-month ECL	8,000
Pledged bank deposit	30	N/A	12-month ECL	65,663
Bank balances	30	N/A	12-month ECL	4,521,870
Other receivables	26	(Note 1)	12-month ECL	314,387
			Lifetime ECL (credit-impaired)	6,350
				320,737
Trade receivables	26	(Note 2)	Lifetime ECL (not credit impaired)	3,119,407
			Lifetime ECL (credit-impaired)	36,079
Other items				3,155,486
Contract assets	27	(Note 2)	Lifetime ECL (not credit impaired)	582,333

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due RMB'000	Not past due/No fixed repayment terms RMB'000	Total RMB'000
Loan receivables	–	8,000	8,000
Other receivables	6,350	314,387	320,737
	6,350	322,387	328,737

2. For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors which are credit-impaired, the Group determines the expected credit loss on these items by using a provision matrix.

44. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment (Continued)

As part of the Group's credit risk management, trade receivables and contract assets have been grouped based on a systematic internal credit rating with reference to a matrix of factors including the customer's nature, ageing analysis, recent financial performance of the customer and historical credit loss experience. Each group consists 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, the rank and size of customers, the financial performance 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 31 December 2018 within lifetime ECL (not credit impaired).

	Average Loss rate	Impairment loss allowance	Trade receivables gross carrying amount	Contract assets gross carrying amount	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Customer Group A	0.09%	2,559	2,262,518	582,333	2,844,851
Customer Group B	0.14%	1,138	795,370	–	795,370
Customer Group C	0.21%	132	61,519	–	61,519

44. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment (Continued)

During the year ended 31 December 2018, the Group provided RMB3,829,000 impairment allowance for trade receivables based on the provision matrix and RMB34,122,000 impairment allowance for credit impaired debtors, respectively. The Directors considered the impairment allowance for contract assets is not significant to the Group based on the provision matrix.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
As at 31 December 2017 under HKAS 39	—	22,037	22,037
Adjustment upon application of HKFRS 9	6,044	–	6,044
As at 1 January 2018 – as restated	**6,044**	**22,037**	**28,081**
Impairment losses recognised	**4,878**	**32,939**	**37,817**
Impairment losses reversed	**(7,088)**	**(14,054)**	**(21,142)**
Transfer to credit-impaired	**(5)**	**5**	**—**
Write-offs	**–**	**(6,805)**	**(6,805)**
As at 31 December 2018	**3,829**	**34,122**	**37,951**

The Group writes off a trade receivable when there is information indicating that debtors is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtors has been placed under liquidation or has entered into bankruptcy proceedings.

44. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment (Continued)

The following table shows reconciliation of loss allowances that has been recognised for other receivables.

	12 m ECL RMB'000	Lifetime ECL (not credit -impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 31 December 2017 under HKAS 39	–	–	5,045	5,045
Adjustment upon application of HKFRS 9	–	–	–	–
As at 1 January 2018 – as restated	–	–	5,045	5,045
Transfer to credit-impaired	–	(1,892)	1,892	–
Transfer to Lifetime ECL	(5)	5	–	–
Impairment losses recognised	5	1,887	–	1,892
Impairment losses reversed	–	–	(70)	(70)
Write-offs	–	–	(517)	(517)
As at 31 December 2018	–	–	6,350	6,350

Liquidity risk

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. In addition, the following tables detail the Group's liquidity analysis for its derivative instruments. The tables have been drawn up based on the undiscounted net inflows and outflows on those derivatives.

44. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk (Continued)

Liquidity tables

	Weighted average interest rate	Repayable on demand or less than three months	Three months to six months	Six months to one year	More than one year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2018							
Non-derivative financial liabilities							
Trade and other payables	**–**	**2,736,096**	**–**	**135,000**	**–**	**2,871,096**	**2,871,096**
Borrowings	**3.33**	**3,048,035**	**129,680**	**948,655**	**–**	**4,126,370**	**4,091,130**
Other long-term liability	**2.72**	**–**	**–**	**–**	**170,057**	**170,057**	**162,912**
		5,784,131	**129,680**	**1,083,655**	**170,057**	**7,167,523**	**7,125,138**
Derivative-gross settlement							
Foreign currency forward contracts							
– inflow		**(394,234)**	**(73,947)**	**–**	**–**	**(468,181)**	**(3,610)**
– outflow		**391,877**	**73,864**	**–**	**–**	**465,741**	**1,170**
Derivatives-net settlement							
Interest rate swap contracts							
– net inflow		**(552)**	**(619)**	**–**	**–**	**(1,171)**	**(1,171)**
– net outflow		**–**	**–**	**–**	**759**	**759**	**759**
Call option							
– outflow		**112,531**	**–**	**–**	**–**	**112,531**	**(50)**
Structural option contracts							
– net inflow		**(47)**	**–**	**–**	**–**	**(47)**	**(47)**
		109,575	**(702)**	**–**	**759**	**109,632**	**(2,949)**
2017							
Non-derivative financial liabilities							
Trade and other payables	–	2,409,977	–	–	–	2,409,977	2,409,977
Borrowings	2.23	1,822,467	353,662	329,967	–	2,506,096	2,493,574
Other long-term liability	1.50	–	–	–	103,095	103,095	101,412
		4,232,444	353,662	329,967	103,095	5,019,168	5,004,963
Derivative-gross settlement							
Foreign currency forward contracts							
– inflow		(238,999)	(40,814)	(6,770)	–	(286,583)	(978)
– outflow		240,162	40,697	6,649	–	287,508	1,903
Derivatives-net settlement							
Interest rate swap contracts							
– net inflow		–	–	–	(1,757)	(1,757)	(1,757)
Call option							
– net inflow		–	–	–	(28,750)	(28,750)	(28,750)
Cross currency swap contracts							
– net inflow		–	(224)	–	–	(224)	(224)
– net outflow		–	23,755	–	2,879	26,634	26,634
Structural option contracts							
– net outflow		–	79	–	–	79	79
		1,163	23,493	(121)	(27,628)	(3,093)	(3,093)

The amounts included above for variable-rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

44. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value

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

The fair value of available-for-sale financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.

The fair value of derivative instruments is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

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

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

Financial assets/financial liabilities		Fair value as at		Fair value hierarchy	Basis of fair value measurement/ valuation technique(s) and key input(s)
		31/12/2018	31/12/2017		
1)	Foreign exchange forward contracts	Assets — RMB3,610,000 Liabilities — RMB1,170,000	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 rate 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 swaps	N/A	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.

44. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value (Continued)

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

Financial assets/financial liabilities		Fair value as at 31/12/2018	Fair value as at 31/12/2017	Fair value hierarchy	Basis of fair value measurement/ valuation technique(s) and key input(s)
3)	Interest rate swaps	Assets — RMB1,171,000 Liabilities — RMB759,000	Assets — RMB1,757,000	Level 2	Discounted cash flow. Future cash flows are estimated based on applicable yield curves derived from quoted interest rates and contracted interest rates on each maturity date and contracted forward interest rate at the end of the final maturity date, discounted at a rate that reflects the credit risk of various counterparties.
4)	Debt instruments at FVTOCI	Assets — RMB335,864,000	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.
5)	Structural option contracts	Assets — RMB47,000	Liabilities — RMB79,000	Level 3	Fair value is derived using binomial tree computation method. The key parameters used include forward exchange rates (from observable forward exchange rate at the end of the reporting period), contracted exchange rates, discount rate, risk-free rate, time to maturity, and volatility.
6)	Call Option classified as derivative financial assets	Assets — RMB50,000	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.

There were no transfers between Level 1 and 2 in the current and prior years.

44. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value (Continued)

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

Reconciliation of Level 3 fair value measurement:

31 December 2018

	Structured Option contracts RMB'000	Call Option classified as derivative financial assets RMB'000	Total RMB'000
Opening balance	**(79)**	**28,750**	**28,671**
Fair value changes	**(654)**	**(28,700)**	**(29,354)**
Settlements	**780**	**–**	**780**
Closing balance	**47**	**50**	**97**

31 December 2017

	Structured Option contracts RMB'000	Call Option classified as derivative financial assets RMB'000	Total RMB'000
Opening balance	616	–	616
Fair value changes	932	28,750	29,682
Settlements	(1,627)	–	(1,627)
Closing balance	(79)	28,750	28,671

Of the total gains or losses for the period included in profit or loss, loss of RMB28,574,000 relates to structural option contracts and call option classified as derivative financial assets held at the end of the current reporting period. Fair value gains or losses on structural option contracts and call option classified as derivative financial assets are included in 'other gains and losses'.

44. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Capital risk management

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

The capital structure of the Group consists of net debt, which includes the borrowings and other long-term liability disclosed in notes 33 and 42 net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Borrowings RMB'000 (note 33)	**Other long-term liability** RMB'000 (note 42)	**Dividend payable** RMB'000 (note 13)	**Interest payable** RMB'000 (note 31)	**Total** RMB'000
At 1 January 2018	**2,493,574**	**101,412**	**–**	**8,561**	**2,603,547**
Financing cash flows	**1,515,324**	**60,000**	**(912,261)**	**(137,132)**	**525,931**
Non-cash changes:					
Net foreign exchange gains	**56,868**	**–**	**–**	**–**	**56,868**
Interest expenses	**–**	**1,500**	**–**	**136,007**	**137,507**
Dividend recognised as distribution	**–**	**–**	**794,813**	**–**	**794,813**
Dividends to non-controlling shareholders	**–**	**–**	**117,448**	**–**	**117,448**
Exchange difference arising on translation of foreign operation	**5,706**	**–**	**–**	**–**	**5,706**
Acquisition of a subsidiary (note 36)	**19,658**	**–**	**–**	**–**	**19,658**
At 31 December 2018	**4,091,130**	**162,912**	**–**	**7,436**	**4,261,478**
At 1 January 2017	1,445,875	–	–	8,676	1,454,551
Financing cash flows	1,094,228	100,000	(676,043)	(93,618)	424,567
Non-cash changes:					
Net foreign exchange losses	(23,177)	–	–	–	(23,177)
Interest expenses	–	1,412	–	93,503	94,915
Dividend recognised as distribution	–	–	676,043	–	676,043
Exchange difference arising on translation of foreign operation	(23,352)	–	–	–	(23,352)
At 31 December 2017	2,493,574	101,412	–	8,561	2,603,547

46. SUBSIDIARIES

Details of the Company's material subsidiaries as at 31 December 2018 and 2017 are as follows:

Name of subsidiary	Place of Incorporation/ registration/operations	Attributable equity interest of the Group 2018	2017	Issued capital/ registered capital	Principal activities
Sinoone Holdings Limited	British Virgin Islands	**100%**	100%	US$1	Investment holding
Decade Industries Limited	British Virgin Islands	**100%**	100%	US$1	Investment holding
Mindway Holdings Limited	British Virgin Islands	**100%**	100%	US$1	Investment holding
Forecast Industries Limited	British Virgin Islands	**100%**	100%	US$1	Investment holding
Wealthfield Holdings Limited	British Virgin Islands	**100%**	100%	US$1	Investment holding
展圖控股有限公司 (Cheerplan Holdings Limited)	British Virgin Islands	**100%**	100%	US$1	Investment holding
恆銀國際有限公司 (Constant Gain International Limited)	British Virgin Islands	**100%**	100%	US$1	Investment holding
Franshoke Investments Limited	British Virgin Islands	**100%**	100%	US$1	Investment holding
Enboma Investments Limited	British Virgin Islands	**100%**	100%	US$39,000,000	Investment holding
Magic Figure Investments Limited	British Virgin Islands	**100%**	100%	US$1	Investment holding
i-Sun Limited	British Virgin Islands	**100%**	100%	US$2,000,000	Investment holding
司諾 (香港) 有限公司 (Sinoone (HK) Limited)	Hong Kong	**100%**	100%	HK$586,156,261	Investment holding
時銘(香港)有限公司 (Decade (HK) Limited)	Hong Kong	**100%**	100%	HK$19,824	Investment holding
睿途(香港)有限公司 (Mindway (HK) Limited)	Hong Kong	**100%**	100%	HK$344,801,918	Investment holding
展圖(香港)有限公司 (Cheerplan (HK) Limited)	Hong Kong	**100%**	100%	HK$4,620,219,992	Investment holding
泰琳發展有限公司 (Talentlink Development Limited)	Hong Kong	**100%**	100%	HK$10,000/ US$84,749,000	Investment holding
敏實財務有限公司(Minth Financial Limited)	Hong Kong	**100%**	100%	HK$10,000	Bookkeeping service
明炻投資有限公司 (Minth Investment Limited)	Hong Kong	**100%**	100%	HK$42,534,337	Investment holding
銘仕國際有限公司 (Minth International Limited)	Hong Kong	**100%**	100%	HK$4,000,000	Import and export trading, logistics, technology import, and investment holding

46. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of Incorporation/ registration/operations	Attributable equity interest of the Group 2018	2017	Issued capital/ registered capital	Principal activities
嘉興司諾投資有限公司 (Jiaxing Sinoone Investments Co.,Ltd.)*	the PRC as a WOFE	**100%**	100%	US$316,620,000	Investment holding
寧波信泰機械有限公司 (Ningbo Shintai Machines Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$27,340,000	Design, manufacture, development and sales of automobile body parts
天津信泰汽車零部件有限公司 (Tianjin Shintai Automotive Parts Co., Ltd.)*	the PRC as a foreign equity joint venture enterprise	**95.7%**	95.7%	US$11,550,000	Manufacture and sales of automobile body parts
廣州敏瑞汽車零部件有限公司 (Guangzhou Minrui Automobile Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$16,000,000	Manufacture and sales of automobile body parts
嘉興敏惠汽車零部件有限公司 (Jiaxing Minhui)*	the PRC as a WOFE	**100%**	100%	US$161,510,000	Manufacture and sales of automobile body parts
嘉興敏勝汽車零部件有限公司 (Jiaxing Minsheng Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$17,700,000	Manufacture and sales of automobile body parts
展圖(中國)投資有限公司 (Cheerplan (China) Investments Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$743,090,000	Investment holding
Minth North America, Inc.	the USA	**100%**	100%	US$15,940,000	Research and marketing development
嘉興敏實機械有限公司 (Jiaxing Minth Machines Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$70,000,000	Design, manufacture, development and sales of automobile body parts
Minth Japan 株式會社 (Minth Japan Co., Ltd.)	Japan	**100%**	100%	JPY95,000,000	Act as an agent of sales of automobile body parts and purchase of raw materials
Minth Aapico (Thailand) Co., Ltd.	Thailand	**60%**	60%	Thai Baht ("THB") 378,500,000	Design, manufacture, development and sales of automobile body parts
寧波泰甬汽車零部件有限公司 (Ningbo Taiyong Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$32,000,000	Manufacture and sales of automobile body parts
嘉興國威汽車零部件有限公司 (Jiaxing Guowei Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$68,000,000	Design, manufacture, development and sales of automobile
嘉興敏凱汽車零部件有限公司 (Jiaxing Kittel-Minth Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$94,376,900	Design, manufacture, development and sales of automobile body parts
Minth GmbH	Germany	**100%**	100%	EUR500,000	Customer service and market development

46. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of Incorporation/ registration/operations	Attributable equity interest of the Group 2018	Attributable equity interest of the Group 2017	Issued capital/ registered capital	Principal activities
廣州敏實汽車零部件有限公司 (Guangzhou Minth Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$30,000,000	Design, manufacture, development and sales of automobile body parts
煙臺和瑞汽車零部件有限公司 (Yantai Herui Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$10,000,000	Design, manufacture, development and sales of automobile body parts
淮安和泰汽車零部件有限公司 (Huaian Hetai Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$20,000,000	Manufacture, development and sales of automobile body parts and battery for electric vehicle
淮安和通汽車零部件有限公司 (Huaian Hetong Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$12,000,000	Manufacture, development and sales of automobile body parts and motor system for electric vehicle
武漢和盛汽車零部件有限公司 (Wuhan Hesheng Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$27,000,000	Design, manufacture, development and sales of automobile body parts
武漢東海敏實汽車零部件有限公司 (Wuhan Tokai Minth Automotive Parts Co., Ltd.)* (Note i)	the PRC as a foreign equity joint venture enterprise	**50%**	50%	US$10,000,000	Design, manufacture, development and sales of automobile body parts
Minth International Macau Commercial Offshore Limited	Macau	**100%**	100%	Macau Pataca 100,000	Import and export trading, logistics, technology imprt, and investment holding
江蘇和興汽車科技有限公司 (Jiangsu Hexing Automotive Technology Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$80,000,000	Design, manufacture, development and sales of automobile body parts
Minth Automobile Part (Thailand) Co., Ltd.	Thailand	**100%**	100%	THB800,000,000	Manufacture and sales of automobile body parts
Minth Development (Thailand) Co.,Ltd	Thailand	**100%**	100%	THB85,000,000	Manufacture and sales of automobile body parts
北京敏實汽車零部件有限公司 (Beijing Minth Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	RMB65,000,000	Design, manufacture, development and sales of automobile body parts
鄭州敏惠汽車零部件有限公司 (Zhengzhou Minhui Automotive Parts Co., Ltd.)*	the PRCas a WOFE	**100%**	100%	RMB90,000,000	Design, manufacture and sales of automobile body parts
天津敏信機械有限公司 (Tianjin Minshin Machines Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$13,210,000	Research and development, design, production and sales of automobile parts and related products
敏實投資有限公司 (Minth Investment Limited)*	the PRC as a WOFE	**100%**	100%	US$195,500,000	Investment holding

46. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of Incorporation/ registration/operations	Attributable equity interest of the Group		Issued capital/ registered capital	Principal activities
		2018	2017		
清遠敏惠汽車零部件有限公司 (Qingyuan Minhui Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$27,300,000	Manufacture and sales of automobile body parts
CST GmbH	Germany	**100%**	100%	EUR250,000	Manufacture and sales of automobile body parts
湖州恩馳汽車有限公司 (Huzhou Enchi Automotive Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	RMB324,350,000	Manufacture of bus and modified car
湖州敏馳汽車有限公司 (Huzhou Minchi Automotive Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$75,000,000	Development of pure electric vehicle, development and sales of new energy automobile body parts
嘉興裕廷房地產開發有限公司 (Jiaxing Yuting Properties Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	RMB80,000,000	Develop and manage of ordinary real estate, property management
Plastic Trim International, Inc.	the USA	**100%**	100%	US$16,700,000	Design, manufacture, development and sales of automobile body parts
寧波敏實汽車電子科技有限公司 (Ningbo Minth Automotive Electronics Technology Co., Ltd.)* (Note iii)	the PRC as a WOFE	**100%**	89.1%	US$20,000,000	Design, manufacture, import and export of automobile electronic and optical parts
嘉興敏德汽車零部件有限公司 (Jiaxing Minde Automotive Parts Co.,Ltd.)*	the PRC as a WOFE	**100%**	100%	US$10,000,000	Design, manufacture, development and sales of automobile body parts
浙江敏泰汽車零部件有限公司 (Zhejiang Min Tai Technology Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$20,000,000	Design, manufacture, and sales of automobile body parts
Minth Mexico, S.A. DE C.V.	Mexico	**100%**	100%	US$9,185,424	Design, manufacture, development and sales of automobile body parts
Minth Mexico Coating, S.A. de C.V.	Mexico	**100%**	100%	US$100,000,000	Design, manufacture, import, export and sales of automobile body parts
Minth Tennessee International, LLC	the USA	**100%**	100%	US$3,999,000	Design, manufacture and sales of automotive parts
清遠敏實汽車零部件有限公司 (Qingyuan Minth Automobile Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$61,500,000	Manufacture and sales of automobile body parts
浙江敏盛汽車零部件有限公司 (Zhejiang Minsheng Automotive Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$20,000,000	Manufacture and sales of automobile body parts

46. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of Incorporation/ registration/operations	Attributable equity interest of the Group 2018	2017	Issued capital/ registered capital	Principal activities
寧波敏實汽車零部件技術研發有限公司 (Ningbo Minth Automotive Parts Research & Development Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$26,500,000	Design, manufacture and sales of metal moulds and automobile body parts manufacturing equipment
嘉興信元精密模具科技有限公司 (Jiaxing Shinyou Mould Tech Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$14,000,000	Design and manufacture of mould
敏實汽車技術研發有限公司 (Minth Automotive Technology Research & Development Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$20,000,000	Design, manufacture and sales of metal moulds and automobile body parts manufacturing equipment
浙江信正精密科技有限公司 (Zhejiang Xinzheng Precision Technology Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$15,000,000	Design, manufacture and sales of moulds
浙江敏誠自動化科技有限公司 (Zhejiang Min Cheng Technology Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$10,000,000	Design, manufacture and sales of automation machines, software and production lines
浙江敏實科技有限公司 (Zhejiang Minth Science & Technology Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$10,000,000	Design, manufacture and sales of metal moulds and automobile body parts manufacturing equipment
長春敏實汽車零部件有限公司 (Changchun Minth Automotive Parts Co., Ltd.)* (Note iii)	the PRC as a WOFE	**100%**	55%	US$5,000,000	Manufacture and sales of automobile body parts
精確實業股份有限公司 (UATC) (Note ii)	Taiwan	**44.18%**	N/A	US$10,000,000	Manufacture and sales of automobile body parts, bicycle parts and computer parts
中升興業股份有限公司 (Sptek Limited)	Taiwan	**89.10%**	89.10%	TWD120,000,000	Design and manufacture of automobile body parts

* The English names are for identification purposes only.

Note i By virtue of shareholders' agreement, or terms set out in the articles of association of the relevant entities, the Group has control over the entity in which the Group has the right to variable returns from its involvement with the entity and use its power to affect such returns through its majority voting power at meetings of the relevant governing body of the entity.

Note ii In 2018, UATC became a non-wholly-owned subsidiary of the Group. Detail information is set out in note 36.

Note iii In 2018, Ningbo Minth Automotive Electronics Technology Co., Ltd. and Changchun Minth Automotive Parts Co., Ltd. became wholly owned subsidiaries of the Group, as the Group acquired all the non-controlling interests of both companies.

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

47. EVENT AFTER THE REPORTING PERIOD

On 28 December 2018, the Group entered into a sale and purchase agreement with the other shareholders of Guangzhou Tokai Minth, an associate of the Group, pursuant to which the other controlling shareholders had agreed to sell and the Group had agreed to purchase 0.97% interest of Guangzhou Tokai Minth at the aggregate consideration of RMB1,914,000. After the acquisition, the Group would own 50% equity interest in Guangzhou Tokai Minth and have the right to appoint two out of three executive directors of the board of Guangzhou Tokai Minth. The acquisitions have been completed in January 2019. Upon completion, the directors of the Company are of the opinion that the Group has the control over and the rights to variable returns from Guangzhou Tokai Minth, therefore, Guangzhou Tokai Minth became a subsidiary of the Group since then. The Company is in process of assessing the financial impact of the acquisition.

48. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2018 **RMB'000**	2017 RMB'000
Unlisted investments in subsidiaries	**783,339**	859,309
Furniture and equipment	**–**	62
Bank balances and cash	**72,240**	95,336
Amounts due from subsidiaries	**11,546,347**	9,778,360
Loans to subsidiaries	**–**	130,866
Other current assets	**14,804**	14,669
Total assets	**12,416,730**	10,878,602
Amounts due to subsidiaries	**2,785,304**	2,542,199
Borrowings	**2,587,435**	1,705,456
Loans from subsidiaries	**–**	776,039
Derivative financial liabilities	**1,305**	–
Other payables	**13,614**	20,778
Total liabilities	**5,387,658**	5,044,472
Net assets	**7,029,072**	5,834,130
Share capital	**114,902**	114,425
Reserves	**6,914,170**	5,719,705
Total equity	**7,029,072**	5,834,130

48. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement in the reserves of the Company is set forth below:

	Share premium and retained profits RMB'000	**Special reserve** RMB'000	**Other reserve** RMB'000	**Share options reserve** RMB'000	**Total** RMB'000
At 1 January 2017	77,277	410,321	10,380	82,409	580,387
Total comprehensive income for the year	5,672,183	–	–	–	5,672,183
Recognition of share-based payments	–	–	–	10,810	10,810
Dividends recognised as distribution	(676,043)	–	–	–	(676,043)
Transfer to other reserve for share options forfeited after the vesting date	–	–	523	(523)	–
Exercise of share options	165,544	–	–	(33,176)	132,368
At 31 December 2017	5,238,961	410,321	10,903	59,520	5,719,705
Total comprehensive income for the year	**1,847,065**	**–**	**–**	**–**	**1,847,065**
Recognition of share-based payments	**–**	**–**	**–**	**73,702**	**73,702**
Dividends recognised as distribution	**(794,813)**	**–**	**–**	**–**	**(794,813)**
Exercise of share options	**86,862**	**–**	**–**	**(18,351)**	**68,511**
At 31 December 2018	**6,378,075**	**410,321**	**10,903**	**114,871**	**6,914,170**

49. 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 executive directors/then executive director of the Company, in respect of the Group's acquisition of Talentlink Development Limited and Magic Figure Investments Limited ("Talentlink HK" and "Magic Figure") from the nephew and niece of Mr. Chin (the "Acquisition"). The executive directors/then executive director named in the petition are Mr. Chin, Mr. Shi 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. Details are set out in 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 consolidated financial statements of the Group for the year ended 31 December 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 at the date of the report, the trial has now been fixed for the period from 14 October 2019 to 15 November 2019 (with 29 November 2019 reserved for closing submissions).