

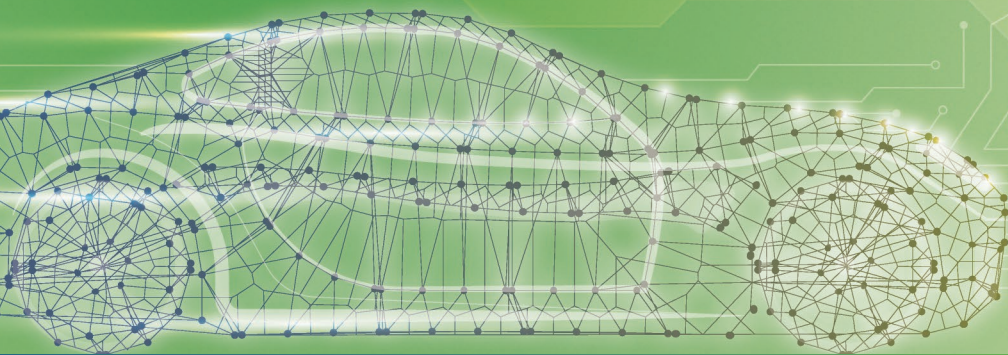


MINTH GROUP LIMITED
敏實集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 425

LIGHT-WEIGHT INTELLIGENCE ELECTRIFICATION



INTERIM REPORT 2020

CORE VALUES

- Integrity
- Teamwork
- Trust
- Embrace change

VISION

We create beauty in motion with intelligence

MISSION

Make automobiles lighter, prettier and more intelligent

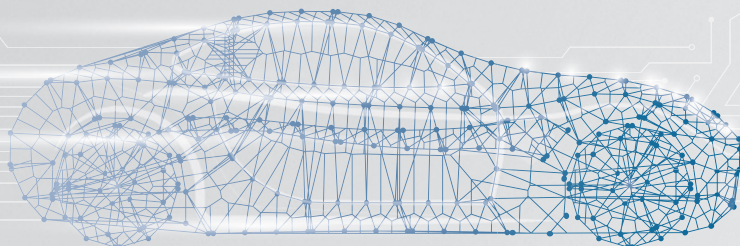
TARGET

To be the top 50 global auto parts supplier in 2025



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

CORPORATE INFORMATION

THE BOARD

Executive directors

Wei Ching Lien (*executive Director and
Chairperson as appointed on 28 May 2020*)

Chen Bin Bo (*executive Director as appointed
on 28 May 2020 and Chief Executive Officer*)

Chin Chien Ya

Huang Chiung Hui (*resigned on 28 May 2020*)

Independent non-executive directors

Wang Ching

Yu Zheng

Wu Tak Lung (*appointed on 28 May 2020*)

Wu Fred Fong (*retired on 28 May 2020*)

COMPANY SECRETARY

Yi Lei Li

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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Ningbo Economic and Technological
Development Zone
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Website: www.minthgroup.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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North Point, Hong Kong

PRINCIPAL BANKERS

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

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

**PRINCIPAL SHARE REGISTRAR
AND TRANSFER OFFICE**

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P.O. Box 1586
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Cayman Islands

**HONG KONG BRANCH
SHARE REGISTRAR AND
TRANSFER OFFICE**

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Wanchai, Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
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88 Queensway
Hong Kong

**LEGAL ADVISERS TO THE
COMPANY**

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Taikoo Place, 18 Westlands Road
Quarry Bay, 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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the six months ended 30 June 2020 (the “Review Period”), the production and sales of China’s passenger vehicles were approximately 7,754,000 units and approximately 7,873,000 units, respectively, representing a year-on-year decrease of approximately 22.5% and approximately 22.4%, respectively. Under the impact of the unprecedented coronavirus disease 2019 (“COVID-19”) pandemic as well as other factors, the overall performance of China’s automobile market was worse than the expectation at the start of the year. As to segment markets, the production and sales of sedans declined by approximately 25.9% and approximately 26.0%, respectively, as compared to the same period in 2019. SUV models recorded year-on-year decreases in production and sales of approximately 14.6% and approximately 14.9%, respectively, and the production and sales of MPV models decreased by approximately 48.1% and approximately 45.7%, respectively. During the Review Period, sales of luxury cars outperformed the general market and became a highlight amidst a weak market. Japanese and German OEMs increased significantly in market share as compared to the same period in 2019, while the market share of American and Korean OEMs remained flat as compared to the same period in 2019. French OEMs continued to lose market share. Chinese OEMs suffered the most serious decrease in market share in passenger vehicles, with a decrease of approximately three percentage points as compared to the same period in 2019. Production and sales of new energy vehicles (“NEVs”) amounted to approximately 397,000 units and approximately 393,000 units, representing a decrease of approximately 36.5% and approximately 37.4%, respectively, as compared to the same period in 2019. Despite a general lacklustre performance, there has been a restorative growth trend since March 2020.

According to LMC Automotive, a third-party research institution, the global sales of light vehicles dropped by approximately 27.7% on a year-on-year basis during the Review Period due to the impact of the global COVID-19 pandemic, with all major markets recording a severe double-digit decline. Among mature markets, sales in the US market were approximately 6,416,000 units, registering a year-on-year decrease of approximately 23.7%, and the sales of passenger vehicles in the Western European market were approximately 5,195,000 units, representing a year-on-year decrease of approximately 40.3%. Sales in the Japanese market were approximately 2,178,000 units, representing a year-on-year decrease of approximately 19.9%. Among major emerging markets, Brazil, Thailand and India faced serious market decline, with the sales of passenger vehicles in the Brazilian and Indian markets decreasing by approximately 40.2% and approximately

48.6%, respectively, on a year-on-year basis, and sales of light vehicles in the Thai market dropping by approximately 37.3% on a year-on-year basis. Furthermore, sales of light vehicles in Mexico and Russia reduced by approximately 31.9% and approximately 23.3%, respectively, on a year-on-year basis.

COMPANY OVERVIEW

Minth Group Limited (the “Company”) together with its subsidiaries (collectively the “Group”) is primarily engaged in the professional design, manufacture and sales of trims, decorative parts, body structural parts, roof racks, battery-housing and other related auto parts. The Group has its main manufacturing bases in China, the US, Mexico, Thailand and Germany. It also built new production facilities in Serbia and the UK, which are about to commence mass production, and is planning to set up a production plant in the Czech Republic. At the same time, the Group is supported by its research and development (“R&D”), sales and design centres in China, Germany, the US, Japan and Korea, which enable it to fully leverage on geographic proximity to facilitate its development of new products as well as market expansion. With the ongoing growth and expansion, the Group is able to serve major automotive markets across the globe, and to understand and meet the growing demand from its customers.

To further facilitate the Group’s global strategy and layout of its products, realize leadership in technology, expedite the fostering of its global talent pool, and build core competitiveness of its products in the global markets, the Group has completed the restructuring of its product business units (“BU”), with four BUs, including plastic products, aluminium products, metal and trim products and battery-housing, which are all in operation. The efforts were intended to integrate the development and production of the products to improve operational efficiency of the Group. Meanwhile, the Group made optimising adjustments to its product planning and production capacity in consideration of actual demands and its global business development plans. Products already in mass production were given priority during optimisation process to balance the Group’s production capacity among its global production bases to improve its adaptability to volatile external circumstances.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Review Period, the Group continued to resolutely implement the Minth Operation Excellence System (“MOS”) (敏實卓越運營系統), in particular emphasising the width and depth of its practical realization in the Group’s manufacturing plants in China, Thailand, and Mexico. The Group used the cost management pillar to improve the cost deployment matrix, so as to analyse in detail and effectively reduce wastes and losses incurred in the course of operation. During the Review Period, in respect of the application and standardisation of tools, the Group completed the implementation in the reaction stage, and started the roll-out in the preventive stage in certain BUs. By continuously utilising MOS as assessment standard, the Group promoted communication and appraisal among its factories from seven perspectives including management, “environment/quality/safety”, cost, human resources, production excellence, logistics and supply chain. Meanwhile, taking battery-housing BU as a pilot site, the Group specified evaluation criteria toward primary-stage product management to reduce the risks and costs incurred before the product enters mass production, in order to facilitate the Group to realize the standardisation and integration of MOS globally.

During the Review Period, the Group continued to promote its new products, new technologies and new materials to the customers. The R&D and sales teams liaised with customers on technical solutions, and pushed forward the business expansion for over ten new product offerings such as aluminium door frame, battery-housing, and radome, with an aim to assure continual growth in the Group’s future revenue. Currently, the Group’s development of aluminium battery-housing, aluminium door frame, radome, active grille shutter, innovative front face and door system, is proceeding smoothly. Furthermore, through the application of advanced production technology, the upgrading of existing production model and the optimisation of processing techniques, the competitive edges in cost and quality of the Group’s traditional products were further improved for better coverage across different categories of customer and product.

During the Review Period, with a view to enhance its core competitive strengths in the digital era, the Group established the Digital Transformation Centre aiming to forge its digital platform and construct a forward-looking group management and production model, in turn accelerating its digital transformation. During the Review Period, the Group’s Digital Transformation Centre assigned a digitalised factory project team responsible for the business planning and information infrastructure of the Group’s global factory system. Moreover, during the Review Period, the Group continued to appoint professional

MANAGEMENT DISCUSSION AND ANALYSIS

consultants to further refresh and promote the application of SAP project, aiming to create a globally integrated information platform and lay a good foundation for the globalisation and agile operation of the Group.

During the Review Period, third-party partners were introduced for the top-level design projects of Future Factory of the Group, of which the first phase has already been accomplished. In terms of intelligent manufacturing of Future Factory, the Group focuses on flexibility, digitalisation and intelligence, in order to promote comprehensive enhancement in aspects including workshops, layout, logistics, production technology, production management and safety and environmental protection; in terms of intelligent industrial parks, the Group takes the most advanced technologies to bring the best human-centred experience as the core to construct a brand-new industrial ecology featuring the beauty of intelligent manufacturing, humanistic care and eco-friendliness, heralding the Group in upgrading towards digitalisation transformation eventually.

During the Review Period, the Group kept deepening its engagement in the management of environment, health and occupational safety (“EHS”) based on its EHS system, to achieve the goal of “green manufacturing with intelligence and healthy development”. During the Review Period, with unified deployment and uniform implementation across its BUs, the Group continuously strengthened its safety management, focused on on-site operations, mainly employed the management method of itemising key points and overseeing process to enhance the safety awareness of its employees and reinforce the management’s awareness of risk identification to ensure operational safety. The Group introduced advanced treatment methods of sewage, emission and hazardous waste to reduce pollutant discharge and operating costs. The Group implemented a strict management and control on pollutant treatment facilities, and installed online real-time monitoring system for the effective operations of the pollutant treatment facilities to ensure the disposal of pollutants in compliance with applicable requirements. The Group paid more attention to its development and management on occupational health by perfecting the management of positions with occupational hazards and arranging occupational health check system to ensure the well-being of its employees.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Review Period, the Group engaged in COVID-19 pandemic prevention. The Group's EHS team oversaw the preparation, dispatch, and use of anti-pandemic supplies and the sanitisation of workspace in order to facilitate resumption of work and production as well as safeguard employees' health. Moreover, during the Review Period, the EHS team of the Group also conducted on-site evaluation for all its factories in China. By providing on-site training for operational staff, equipment personnel, production management staff, and factory managers, the overall ability of fire prevention and safe operation was improved, which further enhanced the Group's overall EHS performance, thus ensuring its safe and healthy operation.

While focusing on the development strategy during the Review Period, with reference to its control model and digitalisation reforms, the Group made corresponding planning to reinforce its capability of independent oversight in addition to its commitment to developing and implementing comprehensive risk-oriented internal control system and implementation standards. As the Group attaches great importance to the ability to deal with external risks, upgrades were planned for the informatisation of risk control and internal oversight which are integral parts of the Group's informational control and management, so as to exert more systematic and effective control over potential risks. During the Review Period, in accordance with the needs of organisational transformation, the Group revised the framework and procedures of authorisation, and reviewed the efficiency and effectiveness of process control and continued to optimise it. The Group improved the management method of internal control, and continually raised its risk control and management level so that potential risks were controlled within reasonably acceptable tolerance levels. The Group always ensures to maintain the independence of its internal audit function in terms of organisational structure, and allocates sufficient resources to support the performance of its duties. The Group continues to improve the efficiency, effectiveness and standardisation of internal audit work, constantly enhanced and supervised the overall risk management effectiveness of each functional department and operating unit, embedded risk management procedures to the daily operations and the core value chain of the Group, and made continuous improvement, particularly in areas such as procurement and supplier management, anti-fraud, compliance management, and authorisation management. In addition, the Group also closely monitored the improvements of the corresponding system and capability for preventing and combating bribery, and strengthened the cooperation with the police force and the industry players. These measures effectively safeguarded and promoted sustainable and steady development of the Group.

BUSINESS AND OPERATION LAYOUT

During the Review Period, the Group's revenue was approximately RMB4,849,154,000, representing a drop of approximately 20.9% as compared with approximately RMB6,130,044,000 in the same period in 2019. During the Review Period, the COVID-19 pandemic devastated the global automobile industry chain. As a result, the Group's OEM clients in China and overseas temporarily suspended production or curtailed their orders. During the Review Period, the domestic revenue of the Group was approximately RMB2,828,611,000, representing a decrease of approximately 16.8% as compared with approximately RMB3,399,444,000 in the same period in 2019. The Group's overseas revenue was approximately RMB2,020,543,000, and fell by approximately 26.0% as compared with approximately RMB2,730,600,000 in the same period in 2019.

During the Review Period, the new business intake of the Group had a steady growth. Among the Group's newly launched products, the battery-housing BU experienced exponential growth in business intake. During the Review Period, the Group was awarded by Volkswagen Group the battery-housing orders for its MEB platform (Europe) and continued to expand its engagement in battery-housing business with BMW, Renault, Nissan and Jaguar Land Rover, while winning orders from new customers such as CATL. The anticipated considerable orders from these business intakes made the Group one of the largest aluminium battery-housing suppliers in the world. Meanwhile, the Group also continued to expand its business in radome and illuminated emblem with Japanese OEMs. Furthermore, innovative products of the Group such as the chassis structural parts and parts for door systems acquired qualification approvals and order inflows in succession, which further expanded the Group's product mix. For new customers and new markets, the Group also achieved breakthroughs including making its first entry into the supplier system of a US high-end electric vehicle brand and securing orders for aluminium trims. As to overseas business of its Japanese OEM customers, the Group successfully established foothold in a number of markets, and secured orders for roof racks from Toyota North America, door opening moulding from Toyota Japan, and rear quarter window assembly from Mazda Motor Japan.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the Group finished the establishment of aluminium battery-housing production lines in various locations in China, which were gradually ready for mass production. As for the Group's Serbian plant, orderly deployment of production lines for its battery-housing and aluminium products was in place as guided under its principles of building production lines with advanced technology and implementing strict environmental and safety management standards. New project transfers and facility installation are scheduled in the second half of 2020. Moreover, the commissioning of aluminium door frame production lines has been finished in the Group's UK and US plants, which are about to start mass production. Increasing global presence has enabled the Group to meet the demands for local supplies from its worldwide customers and further reinforced and consolidated its global competitiveness for aluminium products and battery-housing.

During the Review Period, in response to the demand for the development and mass production of its products from worldwide customers and to improve its overall operational efficiency, the Group continued the forward-looking production planning of its major production facilities, and expanded and optimised the capacity in its major production facilities in China, Thailand, Mexico and the US based on local characteristics. During the Review Period, the Group partnered with Hella Group by establishing a joint venture to further exploit business opportunities (please refer to the Company's announcement dated 18 June 2020 for further details). During the Review Period, the Group's factories in Jiaying, Huai'an, Wuhan, Guangzhou, and Tianjin, among others, won recognition of and were awarded by its customers for outstanding performance in product quality, cost, after-sales services and teamwork.

During the Review Period, the industry was confronted with a grimmer situation after being tumbled by the global COVID-19 pandemic. In order to mitigate the impact of the pandemic, the Group executed its epidemic control measures, including emergency response teams which were quickly established to formulate responsive measures, contingency plans, and disease control manuals for different departments. To prepare for resumption of work and production and customers' order adjustments, while working closely with the governmental authorities in the locations where it operates, the Group also pro-actively liaised with its customers and controlled supplier risks. Market changes were analysed internally, and contingency plans were devised with timely adjustment to strive for the resumption and smooth operation of supply chain and to overcome such trying times. As overseas operating environment became even more overwhelming, the Group strengthened its communications with overseas plants to collectively address the difficulties in resuming work and operation under the pandemic. The Group also

coordinated its domestic and overseas production lines to optimise its production capacity, pooling in global resources to push steadily for overall resumption while ensuring safety and efficiency. Meanwhile, the Group also controlled its costs by streamlining its processes, enhancing efficiency and reactivating idle assets. The Group's effective responses ensured timely delivery and premium quality of its products and were highly appraised by its customers.

RESEARCH AND DEVELOPMENT

During the Review Period, the Group continuously made progress in the research of product and technological innovation. In relation to product innovation, the Group achieved significant improvement in products in terms of body weight reduction, intelligence and electrification. For battery-housing products and chassis structural parts, given the breakthroughs having been increasingly made in independent research and development of solution and technology of battery-housing products, the Group has been optimising its process of industrialisation with global advanced technological resources, achieving mass production for certain projects. The Group is now one of the largest suppliers of battery-housing in the world. The Group was engaged in a number of international clients' formulation of concept solution and technological design for battery-housing, and became a battery-housing expert supplier of Groupe PSA. Furthermore, breakthroughs have also been continually achieved in 48V battery-housing and battery module housing in terms of solution and technology, which secured multiple global orders for the Group. Meanwhile, the Group's R&D of innovative solution for battery-housing, including solution for composite materials, is under way as planned. In addition, interim progress has been made in R&D of front collision module products, such as bumper beam, subframe, front longitudinal beam and shock tower bracket, from which the Group started to receive new orders.

In respect of product series for intelligent front face, besides the order intake of millimetre wave compatible emblem and illuminated emblem, the Group has established a joint venture with Hella Group for bringing each other complementary advantages and further exploring such realm, endeavouring to provide clients with a variety of bespoke solutions. Additionally, the Group has eagerly been delving into new ways of getting in and out of cars in relation to car doors with future technology and thoroughly planning the development of intelligent door system, and the Group's intelligent pillar has won recognition from a number of NEV OEMs. The Group has also steadily expanded its

MANAGEMENT DISCUSSION AND ANALYSIS

mechanical and electrical product offering and recruited R&D talents in automotive electronics domestically and abroad in order to promote the global concurrent design of electric running board and roller shutter, expediting the process of product regeneration.

During the Review Period, the Group constantly devoted a great deal of effort in the research of production technology, materials technology and surface treatment for, among others, integrated system of chassis structure, intelligent front face system, intelligent door system and automotive electronics module, filed patent applications in respect of a comprehensive range of advanced technologies and maintained communications on technological issues with OEMs for achieving business expansion.

In relation to technical and technological innovation, the Group engaged in the all-dimension optimisation of its metal forming technique, plastic moulding technique, bonding technique, technique of mechanical and electrical products. In particular, the Group sought breakthroughs in respect of several key technologies specific to modularization of chassis structural parts and integration of optoelectronic products, and independently conducted R&D of the most advanced technique and technology in the world with an aim to lead the Group's future development direction of technique and technology of innovative products. The Group also established a material R&D Centre to focus on lightweight and high-strength aluminium products as well as technology for aluminium structural profiles. Through cooperating with renowned universities in China and overseas and gaining resources from technology experts, the Group constantly enhanced its capabilities in processing technology and innovation of aluminium profiles and made an exceptional progress in research of aluminium profiles, filling a gap in the industry. The Group independently developed the aluminium structural profiles with various level of energy absorption, which have gained recognition from mainstream OEMs in Europe and became fully eligible for use in the battery-housing of NEVs and aluminium body structural products, immensely enhancing the competitiveness of its new products. Meanwhile, the Group has also specified the development direction of polymeric materials, and conducted development of functional materials, composites and eco-friendly materials. For technology of surface treatment, the Group continues to optimise the techniques of chrome plating for plastic products, coating for plastic and metal products as well as aluminium anodizing.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Review Period, the Group's on-going standardisation of techniques and efforts on energy consumption reduction have achieved outstanding results, leading to a decrease in overall operating costs. As regards to technology for new-type surface treatment, the Group has accumulated experience and achievements in production process of, among others, special coating, physical vapor deposition and application of special film materials, putting itself in the best position for transformation of auto accessories in line with four disruptive trends. As for its R&D organisation, the Group has consolidated its R&D resources for innovation around the world, including Europe, North America and Japan, as well as streamlined global strategic cooperation resources for technology development. Through open door cooperation all over the world, by progressively consolidating global concurrent design capability of the product design centre and continuously improving overseas dispatch of staff and local design services, the Group has improved its network for global concurrent design with the support of master data management system and product data management system.

The Group attaches great importance to the protection of intellectual property rights, acquires certifications issued by intellectual property rights authorities, and actively applies for international patents. During the Review Period, 211 patent applications were filed by the Group for approval, among which 5 applications were related to international Patent Cooperation Treaty (PCT) patents. 76 patents were authorised by competent authorities during the Review Period.

FINANCIAL REVIEW

	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000
Revenue	4,849,154	6,130,044
Gross profit	1,287,732	1,987,347
Profit before tax	461,083	1,085,132
Income tax expense	(67,291)	(151,587)
Profit for the period attributable to:		
Owners of the Company	369,808	894,123
Non-controlling interests	23,984	39,422

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the Review Period, the Group's revenue was approximately RMB4,849,154,000, representing a decrease of approximately 20.9% from approximately RMB6,130,044,000 in the same period of 2019. It was mainly attributable to the impacts of the global COVID-19 pandemic and the related anti-epidemic measures ("Impacts of the Global Pandemic") on the Group's overall business during the Review Period, resulting in a decline in revenue from both China and overseas regions.

During the Review Period, the profit attributable to owners of the Company was approximately RMB369,808,000, representing a decrease of approximately 58.6% from approximately RMB894,123,000 in the same period of 2019. It was mainly due to a decrease in gross profit as compared to the same period of last year, which was because of, among others, a substantially lower utilisation of production capacity as a result of a decline in the Group's revenue during the Review Period, as well as the relevant provisions for impairment made by the Group after carrying out prudent reassessment on the conditions of its assets in view of the Impacts of the Global Pandemic, which led to an increase in other losses as compared to the same period of last year. Meanwhile, the Group timely formulated and implemented several response measures against the pandemic, strictly control and reduce labour costs and other expenses, so as to mitigate the adverse impacts of the pandemic on the results of the Group.

SEGMENT REVENUE

An analysis on revenue by types of goods or services delivered or provided is as follows:

Customer category	Six months ended 30 June 2020	
	RMB'000	%
Metal & Trim	2,066,466	42.6
Plastic	1,447,636	29.9
Aluminum	1,335,038	27.5
Battery-housing	57,717	1.2
Others	246,564	5.1
Elimination	(304,267)	(6.3)
Total revenue	4,849,154	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

An analysis on revenue by geographic locations of goods or services delivered or provided is as follows:

Customer category	Six months ended 30 June 2020		Six months ended 30 June 2019	
	RMB'000	%	RMB'000	%
The People's Republic of China (the "PRC")	2,828,611	58.3	3,399,444	55.4
North America	955,997	19.7	1,346,562	22.0
Europe	847,920	17.5	1,114,901	18.2
Asia Pacific	216,626	4.5	269,137	4.4
Total revenue	4,849,154	100.0	6,130,044	100.0

GROSS PROFIT

During the Review Period, the Group's overall gross profit margin was approximately 26.6%, representing a decrease of approximately 5.8% from approximately 32.4% in the same period of 2019. Such decrease was mainly due to a substantially lower utilisation of production capacity arising from the decline in the Group's revenue because of the Impacts of the Global Pandemic during the Review Period, while the Group still faced with the pressures resulting from ASP decline of products for old models and higher tariffs on China imposed by the U.S., causing a significant decrease in the overall gross profit margin. During the Review Period, the Group maintained its efforts on reducing procurement costs, and continuously improved production efficiency and production yield by adopting measures such as lean production and technology upgrade, in order to partially offset the decrease in overall gross profit margin.

INVESTMENT INCOME

During the Review Period, the investment income of the Group was approximately RMB125,536,000, representing an increase of approximately RMB77,194,000 from approximately RMB48,342,000 in the same period of 2019. It was mainly due to an increase in interest income.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INCOME

During the Review Period, the other income of the Group amounted to approximately RMB85,945,000, representing a decrease of approximately RMB12,771,000 from approximately RMB98,716,000 in the same period of 2019. It was mainly attributable to a decrease in government grants related to income.

OTHER GAINS AND LOSSES

During the Review Period, the Group's other gains and losses amounted to a net loss of approximately RMB42,551,000, representing a decrease of approximately RMB92,522,000 as compared to the net gain of approximately RMB49,971,000 in the same period of 2019. It was mainly attributable to the relevant provisions for impairment made by the Group during the Review Period after carrying out prudent reassessment on the conditions of its assets in view of the Impacts of the Global Pandemic.

DISTRIBUTION AND SELLING EXPENSES

During the Review Period, the Group's distribution and selling expenses were approximately RMB198,602,000, representing a decrease of approximately RMB56,422,000 from approximately RMB255,024,000 in the same period of 2019. It accounted for approximately 4.1% of the Group's revenue, representing a decrease of approximately 0.1% from approximately 4.2% in the same period of 2019. It was mainly attributable to the strict control on labour costs and relevant expenses by the Group in response to the adverse impacts caused by the global pandemic during the Review Period, as well as the decrease in freight expenses in line with the decline in revenue from overseas.

ADMINISTRATIVE EXPENSES

During the Review Period, the administrative expenses of the Group amounted to approximately RMB427,051,000, representing a decrease of approximately RMB30,720,000 from approximately RMB457,771,000 in the same period of 2019. It accounted for approximately 8.8% of the Group's revenue, representing an increase of approximately 1.3% from approximately 7.5% in the same period of 2019. It was mainly attributable to the increase in proportion of fixed expenses (including depreciation and amortisation) to the revenue as compared to that in the same period of last year as the Group's

revenue decreased during the Review Period due to the Impacts of the Global Pandemic. Meanwhile, the Group adopted various measures in a proactive manner to strictly control labour costs and relevant expenses.

RESEARCH EXPENDITURES

During the Review Period, the research expenditures of the Group amounted to approximately RMB251,362,000, representing a decrease of approximately RMB47,183,000 from approximately RMB298,545,000 in the same period of 2019. It accounted for approximately 5.2% of the Group's revenue, representing an increase of approximately 0.3% from approximately 4.9% in the same period of 2019. It was mainly attributable to a smaller decrease rate of research expenditures as compared to that of revenue. During the Review Period, the Group continued to recruit high-level R&D personnel as appropriate in an effort to enhance R&D capabilities to maintain its market competitiveness and sustainable development, as well as to continuously promote R&D on battery-housing and other innovative products.

SHARE OF PROFITS (LOSSES) OF JOINT VENTURES

During the Review Period, the Group's share of profits (losses) of joint ventures was a net profit of approximately RMB4,871,000, representing an increase of approximately RMB6,039,000 from a net loss of approximately RMB1,168,000 in the same period of 2019, which was mainly attributable to an increase in profit from one of the joint ventures because of its commencement of mass production during the Review Period.

SHARE OF LOSSES OF ASSOCIATES

During the Review Period, the Group's share of losses of associates amounted to approximately RMB4,103,000, representing a decrease of approximately RMB5,996,000 from approximately RMB10,099,000 in the same period of 2019. It was mainly attributable to the decrease in the Group's equity ratio in one of the loss-making associates at the end of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

INCOME TAX EXPENSE

During the Review Period, the Group's income tax expense was approximately RMB67,291,000, representing a decrease of approximately RMB84,296,000 from approximately RMB151,587,000 in the same period of 2019.

During the Review Period, the effective tax rate was approximately 14.6%, representing an increase of approximately 0.6% from approximately 14.0% in the same period of 2019.

PROFITS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

During the Review Period, the Group's profits attributable to non-controlling interests were approximately RMB23,984,000, representing a decrease of approximately RMB15,438,000 from approximately RMB39,422,000 in the same period of 2019. It was mainly attributable to the fact that the net profit of non-wholly owned subsidiaries decreased during the Review Period as compared to that in the same period of last year.

LIQUIDITY AND FINANCIAL RESOURCES

As of 30 June 2020, the Group's total amount of bank balances and cash and pledged bank deposits is approximately RMB6,646,957,000, representing an increase of approximately RMB938,456,000 as compared to approximately RMB5,708,501,000 as of 31 December 2019. As of 30 June 2020, the Group's low-cost borrowings totally amounted to approximately RMB6,173,984,000, among which the equivalent of approximately RMB3,010,930,000, approximately RMB1,711,115,000, approximately RMB1,011,684,000, approximately RMB240,965,000, approximately RMB151,797,000 and approximately RMB47,493,000 were denominated in RMB, US Dollar ("USD"), Euro ("EUR"), Hong Kong Dollar ("HKD"), Thai Baht ("THB") and Great Britain Pound respectively, representing an increase of approximately RMB2,034,986,000 as compared to approximately RMB4,138,998,000 as of 31 December 2019. It was mainly attributable to the borrowings which were planned ahead by the Group to ensure the sufficiency of cashflow for the Group in response to the uncertainties caused by the spread of the global pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Review Period, the net cash flow from the Group's operating activities was approximately RMB567,848,000, representing a decrease by approximately RMB651,389,000 as compared to approximately RMB1,219,237,000 in the same period of 2019, which was mainly attributable to a reduction in operating cash inflow in line with the decline in the Group's results as compared to that in the same period of last year under the Impacts of the Global Pandemic, coupled with an increase in relevant inventory reserves to cope with uncertainties of the global pandemic and avoid the risk of rising prices for raw materials.

Trade receivables turnover days were approximately 104 days, which were 18 days longer than approximately 86 days for the same period of 2019. This was mainly due to the fact that the Group's revenue decreased under the impacts of pandemic during the Review Period as compared to that in the same period of last year, while the opening balance of trade receivables increased as compared to that of 2019 and the decrease rate of the average balance of trade receivables was lower than that of revenue during the Review Period.

Trade payables turnover days were approximately 87 days, increased by approximately 8 days from approximately 79 days for the same period of 2019, which was mainly attributable to the extended supplier payment cycle due to the Group's active negotiations with the suppliers and the changes in settlement methods towards the suppliers under the impacts of the pandemic.

Inventory turnover days were approximately 105 days, extended by approximately 19 days from approximately 86 days for the same period of 2019, which was mainly attributable to the decrease in revenue as compared to that in the same period of last year as affected by the pandemic and the increase in relevant safety stock in response to the uncertainties caused by the global pandemic, as well as the increase in the Group's inventory reserves to avoid the risk of rising prices of raw materials.

The Group's current ratio was approximately 1.5 as of 30 June 2020, decreased by approximately 0.1 from approximately 1.6 as of 31 December 2019. As of 30 June 2020, the Group's gearing ratio was approximately 28.9% (31 December 2019: approximately 21.2%), which was a percentage based on the interest bearing borrowings divided by total assets.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

COMMITMENTS

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	747,501	333,316

INTEREST RATE AND FOREIGN EXCHANGE RISKS

As of 30 June 2020, the balance of the Group's bank borrowings was approximately RMB6,173,984,000, of which approximately RMB2,378,497,000 was bearing fixed interest rates, and approximately RMB3,795,487,000 was bearing floating interest rates. These borrowings had no seasonality features. In addition, approximately RMB2,187,950,000 of the borrowings was denominated in currencies other than the functional currencies of the Group's related entities, of which the equivalent of approximately RMB987,005,000, approximately RMB959,980,000 and approximately RMB240,965,000 were denominated in EUR, USD and HKD respectively.

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

As of 30 June 2020, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB348,498,000, of which approximately RMB187,809,000 was denominated in USD, approximately RMB110,272,000 was denominated in EUR, approximately RMB24,215,000 was denominated in Japanese Yen ("JPY"), approximately RMB18,177,000 was denominated in Mexico Peso ("MXN"), approximately RMB7,967,000 was denominated in HKD, the remainder of approximately RMB58,000 was denominated in other foreign currencies.

As a result of the constant expansion of overseas sales and the drastic fluctuation in the currency market, the management of the Group expressed great concerns on the foreign exchange risks, and would take the exchange rate expectations of relevant currencies into full consideration when deciding the billing currency for relevant businesses. The Group controls and mitigates foreign exchange risks by closely monitoring the size of its assets and liabilities denominated in foreign currencies in day-to-day operations and by selecting local currencies as settlement currencies appropriately according to the Group's overseas strategic deployment to reduce the size of businesses denominated in foreign currencies. Meanwhile, the Group also uses forward exchange contracts, currency swaps, options, interest rate swaps and other financial derivative products to further prevent interest rate risks and foreign exchange risks.

CONTINGENT LIABILITIES

As of 30 June 2020, the Group had no contingent liabilities (31 December 2019: Nil).

MORTGAGED ASSETS

As of 30 June 2020, the Group had borrowings of approximately RMB333,099,000 and issued bill payables of approximately RMB444,769,000 due within 9 months, which were pledged by bill receivables with par value of approximately RMB168,986,000 and bank deposits of RMB376,500,000. The borrowings are to be settled in RMB (31 December 2019: the Group had borrowings of RMB50,000,000 and issued bill payables of approximately RMB228,097,000 due within 6 months, which were pledged by bill receivables with par value of approximately RMB260,959,000 and bank deposits of RMB500,000. The borrowings are to be settled in RMB).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE

Capital expenditure includes the acquisition of property, plant and equipment, the increase in construction in progress and the addition of land use rights. During the Review Period, the Group's capital expenditure amounted to approximately RMB965,214,000 (the same period in 2019: approximately RMB746,332,000), which was attributable to the fact that, aligning with the development trend of the automobile industry, during the Review Period, the Group implemented intelligence development strategies and took the initiative in establishing an intelligent industrial park for future automobiles, as well as further expanded the R&D on battery-housing and other innovative products and its overseas production capacity layout. Meanwhile, to partially offset the impact of the lower utilisation of production capacity arising from the downturn of PV market, the Group continued to exercise prudent control over the capital expenditure in accordance with the asset-light strategy, and adopted a stringent approval process in respect of investments in fixed assets for traditional product lines.

MATERIAL ACQUISITIONS AND DISPOSALS

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

EMPLOYEES

As of 30 June 2020, the Group had a total of 16,156 employees, decreased by 1,584 as compared to that as of 31 December 2019. The decrease was mainly due to the optimisation of the Group's organisation, the promotion of automation and technology upgrade, the improvement of staff efficiency, the enhancement of informatisation driven by digital transformation and personnel optimisation in response to the impacts of COVID-19 during the Review Period.

During the Review Period, the Group strived to establish a culture of "love — demanding and caring". Based on its common core values and code of conduct, the Group united its staff with care and facilitated their overall wellness, unleashed their potentials with high demands, and ensured the entire workforce accomplished its mission and achieved the organisational targets. During the Review Period, the Group formed an emergency response team to control the pandemic and counter its impacts in a proactive manner. External resources and policies were fully utilised to effectively handle the pandemic

crisis and promote prompt resumption of work and production. Meanwhile, the Group also expedited the transformation and upgrading of internal management and expansion in external business opportunities. A 24/7 care hotline was established to accompany the staff round the clock, listen to their thoughts, and provide timely assistance to employees in need. On the foundation of advocating the idea of overall wellness, the Group has organised 10 Holistic Empowerment Camps since April 2020, in which over 300 middle-and-senior-level management participated, with a view to encouraging the Group's employees to live a beautiful life with love, value and overall well-being.

Against the backdrop of revenue downturn resulting from the global pandemic, the Group conducted rational control over headcount and labour costs, enhanced staff efficiency through specific initiatives and promoted human resources informatisation to assist centralised management of global human resources information and data. As the global BU organisation came into operation and gradually improved, the Group further probed into its organisational structure. To foster an upgrade in governance, the Group commenced a transition from a model of operation management to that of strategic management since 2020, clarifying the Group headquarters' positioning on strategic management, investment and merger and acquisition, management design and resource construction, as well as redefining the framework and functions of the headquarters organisation. BUs are vested with adequate power to enhance their operation efficiency, so that their functions are further improved. Construction of the Group's shared service centre is also deepened to satisfy business needs. To accelerate overseas expansion, the Group initiated the construction of plant and recruitment of talents in the Czech Republic. In the meantime, it continued to increase comprehensive support and culture adaption trainings for regions with international talent flows.

For talents grooming, the Group continued to introduce the E-learning platform and develop E-learning resources to promote an enhancement in learning atmosphere among its employees. Based on its organisational strategic development needs, the Group placed great emphasis on improving the capabilities of its talent reserves in digitalisation and transformation management to support its digital transformation strategy, continued to develop talents' international competence in order to procure a strategic deployment of international talents, and deepening organisational synergies to motivate leaders to guide the team with vision, create synergies through innovation, and rejuvenate the organisation.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS

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

Executive Directors

Wei Ching Lien (*executive Director and Chairperson as appointed on 28 May 2020*)

Chen Bin Bo (*executive Director as appointed on 28 May 2020 and Chief Executive Officer*)

Chin Chien Ya

Huang Chiung Hui (*resigned on 28 May 2020*)

Independent Non-executive Directors

Wang Ching

Yu Zheng

Wu Tak Lung (*appointed on 28 May 2020*)

Wu Fred Fong (*retired on 28 May 2020*)

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

No share options have been granted by the Company during the Review Period. The Company granted a total of 28,000,000 Share Options to the employees including the Directors on 28 July 2020. As at the date of this report, the number of Share Options that could still be granted under the 2012 Share Option Scheme was 21,962,000 Share Options, representing approximately 1.91% of the 1,151,783,000 Shares in issue by the Company as at 28 August 2020, being the date of this report. Details are as follows:

Name and category of participants	Number of Share Options (Note 1)					Date of grant (Note 6)	Exercise period (Note 7)	Weighted average	
	Outstanding as at 1 January 2020	Granted during the Review Period	Exercised during the Review Period	Cancelled/Lapsed during the Review Period	Outstanding as at 30 June 2020			Exercise price of the Share Options (HKD) (Note 8)	closing price of Shares immediately before the date(s) on which Share Options were exercised (HKD)
Directors, chief executives, and substantial Shareholders and their respective associates									
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 (Note 3)	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 (Note 4)	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 5)	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	2,620,000	—	—	—	2,620,000				
Other Participants									
	7,932,500	—	1,279,000	—	6,653,500	25-3-2015	1-1-2016 to 31-12-2020	14.08	25.25
	21,172,000	—	—	1,325,000	19,847,000	10-4-2018	1-4-2019 to 31-12-2023	37.60	N/A
Subtotal	29,104,500	—	1,279,000	1,325,000	26,500,500				
Total	31,724,500	—	1,279,000	1,325,000	29,120,500				

MANAGEMENT DISCUSSION AND ANALYSIS

- Note 1: Numbers of Shares over which options granted under the 2012 Share Option Scheme are exercisable.
- Note 2: The daughter of Ms. Wei Ching Lien (“Ms. Wei”), and an executive Director of the Company.
- Note 3: Ms. Huang Chiung Hui (“Ms. Huang”) resigned as executive Director and Chairperson with effect from 28 May 2020.
- Note 4: Mr. Wu Fred Fong (“Mr. Wu”) retired as independent non-executive Director with effect from 28 May 2020.
- Note 5: Spouse of Ms. Huang, resigned from the Group with effect from 30 June 2020.
- Note 6: 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) 25 March 2015, i.e. on 24 March 2015 was HKD14.02, and (ii) 10 April 2018, i.e. on 9 April 2018 was HKD37.65.
- Note 7: The option period for the Share Options granted on 25 March 2015 is five years nine months and six days and the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 1 January 2016; (ii) up to a further 30% of the Share Options granted on or after 1 January 2017; and (iii) all of the remaining Share Options granted on or after 1 January 2018. The option period for the Share Options granted on 10 April 2018 is five years eight months and twenty-one days and the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 1 April 2019; (ii) up to a further 30% of the Share Options granted on or after 1 April 2020; and (iii) all of the remaining Share Options granted on or after 1 April 2021.
- Note 8: The exercise price of the Share Options is subject to adjustment in the case of rights or bonus issues, or other similar changes.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Review Period, pursuant to the requirements and terms of the 2012 Share Option Scheme, no Share Options were exercised by the Directors, chief executives and their associates, and 1,279,000 Share Options were exercised by other grantees who are not Directors. 1,325,000 Share Options lapsed due to the resignations of the grantees. For the fair value of the Share Options granted, please refer to note 19 to the condensed consolidated financial statements.

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

FUTURE PROSPECTS AND STRATEGIES

Under the influence of the pandemic, there was generally a short-term suspension in the production and delivery schedules of the industry chain in China's automobile market during the Review Period. However, with the gradual alleviation of the impact of the pandemic, the continuous drive of the policies adopted by the central and local governments, such as the relaxation of purchase restrictions, tax reduction and exemption and consumption subsidies, as well as the diverse range of measures taken by automobile enterprises to advance the resumption of work and production as a matter of top priority, the automobile production and sales witnessed a steady recovery and maintained a positive momentum. The China Association of Automobile Manufacturers has recently estimated a 10%–20% decrease in sales volume for 2020. In connection with passenger vehicles, the mid and high-end market was relative stable in anticipation of favorable performance for the second half of the year, while the low-end market is expected to dwindle further and Chinese brands with more exposure to compact or economy models may be subject to even more difficult challenge. In connection with the NEV market, while it is hopeful to see a significant half-on-half improvement in sales for the second half of the year, market sales was generally lacklustre during the Review Period owing to a number of factors, such as massive decrease of subsidies, weakened consumer sentiments, limitations in mileage range and insufficient charging infrastructure, etc., and an industry reshuffling for the NEV sector looks imminent.

The economic prospects for the second half of the year are less than optimistic, as worldwide economic suffered from recession after being adversely affected by the COVID-19 pandemic during the Review Period, coupled with the restructuring of the global industry chain and supply chain aggravated by trade protectionism resulting from rapidly escalating uncertainties triggered by global and regional political and economic frictions, which has created further downside pressure for the economy. The global automobile industry will face more difficult conditions and challenges against the backdrop of the continuous economic growth slowdown and escalating trade frictions. According to the estimates of IHS Markit, the global market for light vehicles is expected to trend in close tandem with a “V-shaped” recovery.

With the ongoing advance of the four disruptive trends, besides China, various developed countries across the globe have announced new policies to support the NEV sector and its related industry chain, which will further bode well for NEV related business. In connection with electrification, automobile enterprises will continue to focus on R&D and sales of NEVs to abide by China’s Double Points Policy; under the emissions regulations promulgated by the European Union (“EU”) in April 2019, the toughest ever announced, automobile enterprises could only meet the new standards by launching NEVs or low-consumption vehicles. In May 2020, the EU proposed a recovery plan to enhance policy support for the NEV sector, and the NEV market in Europe is set to embrace strong growth as European nations successively implemented policies encouraging the NEV industry. According to the estimates of LMC Automotive, the global market share of NEVs is expected to account for 15%–20% by 2025, while China and Europe will become the major arenas. As for intelligent features, more demanding consumer requirements for driving experience and value-added services throughout the entire car journey will drive the development, application and ongoing upgrade of technologies such as artificial intelligence, 5G and automated driving. In the near future, electrification and intelligence are expected to bring about a significant evolution in the overall ecology of the automobile industry. OEMs and system integration suppliers will work in closer partnership characterised by a higher level of interdependence. Standalone parts suppliers will find themselves in an increasingly precarious situation in the future, compelling enterprises to make breakthroughs in technologies, expand their businesses and tackle demerits through strategic cooperation, reorganisation, and mergers and acquisition in preparation for the era of system integration.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will actively address the severity facing the automobile industry and the challenge of de-globalisation resulting from the continual impact of the COVID-19 pandemic. The Group will closely monitor the changes in the macroscopic context of the industry to seize any development opportunities arising from the global automobile industry, while devising a strategic layout in tandem with global policies on NEV related industries and the trends of light-weight, intelligence and electrification in the automobile industry. The Group will further enhance its competitiveness in traditional products and reinforce its overall operations through improvement of quality, optimisation of cost and global capacity layout, and extension and upgrade of existing production processes, thereby further increasing its sub-segment market share for traditional products on a global basis. In the meantime, the Group will continue to increase its investment in the R&D of new products, new technologies and new materials and diversify into new business segments to garner new driving force for its stable development in the long term.

The Group will further conduct strategic planning for all BUs to persistently enhance their operational capability, with a view to forging integrated competitive strengths in technology, cost, staff efficiency and resource application. In the meantime, the Group will also continue to improve the global layout of its BUs, bolster the operational capability of the overseas plants, and replicate the advantages of domestic and overseas plants in technology, management and talents to maximise sharing of technologies, talents and resources among its global operations and comprehensively enhance the global competitiveness of its products.

The Group will continue to drive MOS implementation with robust efforts, seeking consistent improvements to operations management at the preventive stage in order to lower operating costs and ensure ongoing development of its standardised operation capability. Moreover, the Group will conduct evaluation of the BUs from seven dimensions and the aspect of early product management, and swiftly procure the promotion and replication of Bronze Plant standards at all BUs to ensure effective implementation at all plants. The Group will continue to complete the MOS talent allocation and building of succession teams for all BUs by resorting to the methodology of LUTI (Learn/Use/Teach/Inspect). Meanwhile, MOS concepts and standards will be incorporated into the operational focus of digital transformation and Future Factory, with an aim to end-to-end coverage of the full value chain.

The Group will carry out the replacement and upgrade of its global application system through digital transformation, in a bid to develop a data standardisation system with Minth characteristics and link up the business process systems for research, production, supply, sales and services for the establishment of a global operation and management platform, finalising the transition of the Group's management from experience-based to data-based decision making in support of its globalised operation and sustainable outstanding performance. In the meantime, by setting a benchmark in each BU, the Group targets to form "one uniform business process, one uniform set of data standards, one system platform" on a global basis and nurture "one professional team".

The Group is fully committed to the construction of a digital world underpinned by omni-sense, omni-connection, omni-scenario, and omni-intelligence through in-depth application of new-generation digital technologies. On that basis, the Group aims to optimise and remould physical businesses, and innovate and reshape traditional models of management, operations and business to attain business optimisation and success. The Group is also committed to assisting enterprises in the construction of humanistic plants characterised by high efficiency, energy conservation, eco-friendliness, operational safety and comfort through digital transformation, as well as technical platforms with functions to sense, learn, make decisions, execute and adapt in an automated manner.

The Group will continue to work closely with third-party partners to introduce best practices for the construction of intelligent industrial parks and provide the best humanistic experience with the aid of state-of-the-art technologies, so as to build Minth Future Factory into a benchmark among the advanced enterprises in China. Meanwhile, the Group will also procure the horizontal dissemination of its experience and resources, in a bid to complete the transformation and upgrade of subsidiaries within the Group, and based on which the Group also targets to develop its new business format of external services by replicating the Future Factory experience for medium-sized enterprises in neighbouring regions and beyond in China.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will strive to balance and optimise its investment portfolio and value chain layout in the global market and further cultivate its excellent operation ability, in order to better manage risks and uncertainties arising from the economic development and achieve value positioning in a more flexible manner. In addition to its focus on the development potentials of Chinese market, the Group will also vigorously develop new markets on a global basis and seek further cooperation with governments of various regions. In an era of opportunities and challenges, the Group will, on the foundation of Future Factory, drive with full force the planning and development of its digital transformation and upgrade to seek swift improvements in its digital ability. Meanwhile, the Group will offer more modularised product solutions and customised products and services to its clients by upgrading and renovating its traditional products while developing new products.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (the same period in 2019: nil).

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, the interests or short positions of every person, other than the Directors or chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO"), were as follows:

Name of Substantial Shareholder	Capacity	Long/Short Position	Total Number of Ordinary Shares	Percentage of the Company's Issued Share Capital (Note 1)
Chin Jong Hwa ("Mr. Chin")	Interest of controlled corporations	Long position	450,072,000 (Note 2)	39.09%
Minh Holdings Limited ("Minh Holdings")	Beneficial owner	Long position	450,072,000 (Note 3)	39.09%
Mitsubishi UFJ Financial Group, Inc.	Interest of controlled corporations	Long position	103,646,000 (Note 4)	9.00%
Matthews International Capital Management, LLC	Investment manager	Long position	80,763,000	7.02%

Note 1: The percentage of the Company's issued share capital is based on the 1,151,269,000 Shares issued as at 30 June 2020.

Note 2: As at 30 June 2020, Minh Holdings was beneficially interested in 450,072,000 Shares. Minh Holdings is wholly-owned by Mr. Chin and he is therefore deemed to be interested in the entire 450,072,000 Shares held by Minh Holdings.

Note 3: As at 30 June 2020, Minh Holdings, a company wholly-owned by Mr. Chin, was beneficially interested in 450,072,000 Shares.

Note 4: As at 30 June 2020, 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 Mitsubishi UFJ Financial Group, Inc.

OTHER INFORMATION

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

As at 30 June 2020, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would otherwise have to be notified to the Company and the Stock Exchange pursuant to Division 7 and Division 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

Name of Director	Company/ Name of Associated Corporation	Long/Short Position	Capacity	Total Number of Ordinary Shares	Percentage of the Company's Issued Share Capital (Note 1)
Wei Ching Lien	Company	Long position	Interest of spouse	450,072,000 (Note 2)	39.09%
Chin Chien Ya ("Ms. Chin")	Company	Long position	Beneficial owner	100,000 (Note 3)	0.01%
Huang Chiung Hui	Company	Long position	Beneficial owner	1,500,000	0.13%
			Interest of spouse	300,000 (Note 4)	0.03%
Wu Fred Fong	Company	Long position	Beneficial owner	240,000 (Note 5)	0.02%
Wang Ching ("Dr. Wang")	Company	Long position	Beneficial owner	180,000 (Note 5)	0.02%
Yu Zheng ("Ms. Zheng")	Company	Long position	Beneficial owner	300,000	0.03%
			Interest of spouse	1,010,000 (Note 6)	0.09%

Note 1: The percentage of the Company's issued share capital is based on the 1,151,269,000 Shares issued as at 30 June 2020.

Note 2: As at 30 June 2020, Minth Holdings was beneficially interested in 450,072,000 Shares. Minth Holdings is wholly-owned by Mr. Chin and he is therefore deemed to be interested in the entire 450,072,000 Shares held by Minth Holdings. Since Ms. Wei is the spouse of Mr. Chin, Ms. Wei is deemed to be interested in the 450,072,000 Shares in which Mr. Chin is deemed to be interested. Ms. Wei was appointed as executive Director and Chairperson of the Company with effect from 28 May 2020.

Note 3: This figure represents the number of Share Options granted to Ms. Chin under the 2012 Share Option Scheme that are exercisable. Upon exercise of the Share Options, Ms. Chin will own 100,000 Shares.

Note 4: These figures represent (i) 1,500,000 Share Options granted to Ms. Huang under the 2012 Share Option Scheme that are exercisable and (ii) 300,000 Share Options granted to Mr. Bau Hsin Hong ("Mr. Bau") under the 2012 Share Option Scheme that are exercisable. Upon exercise of the Share Options, Ms. Huang will own 1,500,000 Shares. Since Ms. Huang is the spouse of Mr. Bau, she is also deemed to be interested in the aforesaid Shares in which Mr. Bau is interested. Ms. Huang resigned as executive Director and Chairperson of the Company with effect from 28 May 2020.

Note 5: These figures represent the number of Share Options granted to Mr. Wu and Dr. Wang under the 2012 Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Wu and Dr. Wang will own 240,000 Shares and 180,000 Shares, respectively. Mr. Wu retired as independent non-executive Director of the Company with effect from 28 May 2020.

Note 6: These figures represent (i) 300,000 Share Options granted to Ms. Zheng under the 2012 Share Option Scheme that are exercisable and (ii) 1,010,000 Shares held by Mr. Wei Wei ("Mr. Wei"). Upon exercise of the Share Options, Ms. Zheng will own 300,000 Shares. Since Ms. Zheng is the spouse of Mr. Wei, she is also deemed to be interested in the aforesaid Shares in which Mr. Wei is interested.

Save as disclosed above, as at 30 June 2020, none of the Directors, chief executives and their associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

OTHER INFORMATION

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "Corporate Governance Code") set out in Appendix 14 to the Listing Rules. None of the Directors is aware of any information that would reasonably indicate that the Company did not, at any time during the Review Period, comply with the Corporate Governance Code.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct and the code for dealing in the Company's securities by all Directors. Having made specific enquiries to all Directors, the Directors confirmed that they had strictly complied with the standards stipulated under the Model Code during the Review Period.

MATERIAL LITIGATION AND ARBITRATION

On 11 April 2014, the Company was served with a petition by the Securities and Futures Commission (“SFC”), the details of which were set out in the Company’s announcements dated 14 April 2014, 29 May 2014, 9 July 2014, 25 October 2019 and 6 November 2019 and its 2015–2019 annual reports.

On 31 August 2016, the SFC amended its petition in the court proceedings to add further particulars. The trial for the court proceedings was scheduled from 14 October 2019 to 15 November 2019 (with 29 November 2019 reserved for closing submissions).

The Company was informed by Mr. Chin, the former executive Director, that he was agreeable to settlement in the interest of saving time and costs and issued the summons on 18 October 2019 for excluding three private companies from the order disqualifying him to act a director, liquidator, receiver or manager of the property or business (the “Summons”). A set of settlement proposals agreed by the SFC and the other defendants and the Summons were put before the High Court for its approval at a court hearing held on 23 October 2019.

On 6 November 2019, the High Court made an order in respect of Mr. Chin and Mr. Zhao Feng, the former executive Director, the details of which were set out in the Company’s announcements dated 25 October 2019 and 6 November 2019.

On 7 July 2020, the High Court made an order dismissing Mr. Chin’s application for exempting the three private companies from the disqualification order, the details of which were set out in the Company’s announcement dated 7 July 2020.

Save as aforesaid, the Group was not engaged in any litigation or arbitration of material importance during the Review Period and up to the date of this report.

OTHER INFORMATION

AUDIT COMMITTEE

The consolidated results of the Group are unaudited but have been reviewed by the Company's external auditor. The Audit Committee of the Company consists of three independent non-executive Directors, namely Mr. Wu Tak Lung (chairman of the Audit Committee), Ms. Yu Zheng and Dr. Wang Ching. The Audit Committee reviews the Group's internal control systems, the completeness and accuracy of the Group's financial statements and liaises on behalf of the Directors with the external auditor. Members of the Audit Committee will meet regularly with the management and external auditor to review the audit reports as well as the interim and annual financial reports of the Group. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2020 and this interim report, and recommended the adoption by the Board.

By Order of the Board
Minth Group Limited
Wei Ching Lien
Chairperson

Hong Kong, 28 August 2020

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Minth Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 41 to 78, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Revenue	3	4,849,154	6,130,044
Cost of sales		(3,561,422)	(4,142,697)
Gross profit		1,287,732	1,987,347
Investment income	4	125,536	48,342
Other income	5	85,945	98,716
Other gains and losses	6	(42,551)	49,971
Distribution and selling expenses		(198,602)	(255,024)
Administrative expenses		(427,051)	(457,771)
Research expenditures		(251,362)	(298,545)
Interest expenses		(119,332)	(76,637)
Share of profits (losses) of joint ventures		4,871	(1,168)
Share of losses of associates		(4,103)	(10,099)
Profit before tax		461,083	1,085,132
Income tax expense	7	(67,291)	(151,587)
Profit for the period	8	393,792	933,545
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		9,733	11,315
Fair value gain on:			
debt instruments measured at fair value through other comprehensive income		1,513	1,886
Other comprehensive income for the period (net of income tax)		11,246	13,201
Total comprehensive income for the period		405,038	946,746

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Profit for the period attributable to:			
Owners of the Company		369,808	894,123
Non-controlling interests		23,984	39,422
		393,792	933,545
Total comprehensive income for the period attributable to:			
Owners of the Company		380,361	906,307
Non-controlling interests		24,677	40,439
		405,038	946,746
Earnings per share	10		
Basic		RMB0.321	RMB0.779
Diluted		RMB0.320	RMB0.776

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	11	9,263,483	8,748,976
Right-of-use assets	11	919,645	988,425
Goodwill		98,030	98,030
Other intangible assets		52,549	56,554
Interests in joint ventures		95,065	90,194
Interests in associates		120,762	124,865
Deferred tax assets		192,472	187,079
Prepayment for acquisition of property, plant and equipment		83,239	57,391
Contract assets	12B	657,749	576,542
Contract costs		123,388	128,891
Plan assets		1,942	1,942
		11,608,324	11,058,889
Current assets			
Inventories		2,075,244	2,039,976
Loan receivables		6,000	6,000
Property under development		18,598	19,308
Trade and other receivables	12A	3,783,849	4,315,920
Contract assets	12B	185,714	234,230
Derivative financial assets	14	631	3,204
Debt instruments at fair value through other comprehensive income		110,371	256,647
Pledged bank deposits		397,523	21,267
Bank balances and cash		6,249,434	5,687,234
		12,827,364	12,583,786

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Current liabilities			
Trade and other payables	15	2,606,677	3,436,692
Tax liabilities		67,298	120,410
Borrowings	16	6,073,984	4,138,998
Lease liabilities		4,217	5,311
Contract liabilities		81,517	111,783
Derivative financial liabilities	14	962	2,640
		8,834,655	7,815,834
Net current assets		3,992,709	4,767,952
Total assets less current liabilities		15,601,033	15,826,841
Capital and reserves			
Share capital	17	115,343	115,227
Share premium and reserves		13,929,916	14,209,718
Equity attributable to owners of the Company		14,045,259	14,324,945
Non-controlling interests		386,538	418,749
Total equity		14,431,797	14,743,694
Non-current liabilities			
Borrowings	16	100,000	–
Deferred tax liabilities		109,493	94,944
Retirement benefit obligations		16,537	16,537
Lease liabilities		16,711	93,568
Derivative financial liabilities	14	26,020	–
Deferred income		15,299	13,653
Financial liability at fair value through profit or loss	18	819,300	800,000
Other long-term liabilities	18	65,876	64,445
		1,169,236	1,083,147
		15,601,033	15,826,841

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

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

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve fund RMB'000	Enterprise expansion fund RMB'000	Financial instruments measured at FVTOCI reserve RMB'000	Exchange reserve RMB'000	Share options reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020 (audited)	115,227	3,937,536	276,199	(20,093)	757,206	110,335	(2,730)	(57,806)	162,194	9,046,877	14,324,945	418,749	14,743,694
Profit for the period	-	-	-	-	-	-	-	-	-	369,808	369,808	23,984	393,792
Other comprehensive income for the period	-	-	-	-	-	-	1,513	9,040	-	-	10,553	693	11,246
Total comprehensive income for the period	-	-	-	-	-	-	1,513	9,040	-	369,808	380,361	24,677	405,038
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	18,091	-	18,091	-	18,091
Transfer to other reserve for share options forfeited after the vesting date	-	-	-	6,024	-	-	-	-	(6,024)	-	-	-	-
Dividends recognised as distribution (note 9)	-	-	-	-	-	-	-	-	-	(694,445)	(694,445)	-	(694,445)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(56,888)	(56,888)
Exercise of share options	116	20,266	-	-	-	-	-	-	(4,075)	-	16,307	-	16,307
At 30 June 2020 (unaudited)	115,343	3,957,802	276,199	(14,069)	757,206	110,335	(1,217)	(48,766)	170,186	8,722,240	14,045,259	388,538	14,431,797

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

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

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

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

The financial instruments measured at fair value through other comprehensive income (“FVTOCI”) reserve represents the changes in fair value of bill receivables which was measured as debt instruments at FVTOCI upon the adoption of HKFRS 9 since 1 January 2018 in the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
NET CASH FROM OPERATING ACTIVITIES	567,848	1,219,237
NET CASH USED IN INVESTING ACTIVITIES:		
Proceeds on redemption of other financial assets and derivative financial instruments	5,545,675	8,209,650
Investment in other financial assets and derivative financial instruments	(5,501,587)	(8,163,208)
Interest received	106,304	50,999
Dividend received from a joint venture	–	10,000
Proceeds on disposal of property, plant and equipment	36,681	119,219
Proceeds on disposal of other intangible assets	–	298
Repayment from a joint venture	–	2,000
Loan to a joint venture	–	(2,000)
New pledged bank deposits placed	(376,256)	(64,244)
Release of pledged bank deposits	–	44,998
Payment for right-of-use assets	(20,103)	(3,097)
Purchases of property, plant and equipment	(945,111)	(743,235)
Acquisition of a subsidiary	–	129,215
Purchases of other intangible assets	(10,056)	(9,361)
	(1,164,453)	(418,766)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
NET CASH FROM (USED IN) FINANCING ACTIVITIES:		
Repayment of borrowings	(8,532,258)	(5,239,143)
Dividends paid to owners of the Company	(694,445)	(667,384)
Dividends paid to non-controlling shareholders	(56,888)	–
Interest paid	(96,365)	(69,583)
New borrowings raised	10,535,452	4,980,080
Proceeds from exercise of share options	16,307	36,069
Repayment of lease liabilities	(3,892)	(3,753)
	1,167,911	(963,714)
Net increase (decrease) in cash and cash equivalents	571,306	(163,243)
Cash and cash equivalents at 1 January	5,687,234	4,521,870
Effect of foreign exchange rate changes	(9,106)	3,179
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	6,249,434	4,361,806

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

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

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

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group temporarily stopped its manufacturing activities in certain of its production facilities during the current interim period due to mandatory government quarantine measures in an effort to contain the spread of the pandemic, and has resumed their production by the end of the reporting period. On the other hand, the government has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic on the Group. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue and production as well as decrease in gross profit margin due to fixed production overheads during the close-down period, and government grants in respect of COVID-19 related subsidies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue

	Six months ended 30 June 2020 (unaudited)		
	Automobile body part RMB'000	Mould RMB'000	Total RMB'000
Types of goods or services			
Sales of goods	4,383,419	465,735	4,849,154
Geographical markets			
The PRC	2,587,375	241,236	2,828,611
Other countries	1,796,044	224,499	2,020,543
Total	4,383,419	465,735	4,849,154

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3B. SEGMENT INFORMATION

In prior year, information reported to the executive directors of the Company, being the chief operating decision maker (“CODM”), 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.

In the current period, the Group reorganised its internal reporting structure and information reported to the CODM changes to focus on types of goods or services delivered or provided, which resulted in changes to the composition of its reportable segments.

The segment information for the six months ended 30 June 2019 is not restated to reflect the change as the directors of the Company are of the view that such information is not available and the cost to develop it would be excessive. The segment information for the six months ended 30 June 2020 are disclosed on both the old basis and the new basis of segmentation to enable users of these condensed consolidated financial statements to evaluate the nature and financial effects of the business activities in which the Group engages and the economic environments in which the Group operates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

For the six months ended 30 June 2020 (unaudited)

By types of goods or services delivered or provided:

	Metal & Trim RMB'000	Plastic RMB'000	Aluminum RMB'000	Battery-housing RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
Segment revenue	2,066,466	1,447,636	1,335,038	57,717	246,564	(304,267)	4,849,154
Segment profit	464,359	403,040	372,276	3,082	47,935	(2,960)	1,287,732

By geographic locations of goods or services delivered or provided:

	North				Consolidated
	The PRC RMB'000	America RMB'000	Europe RMB'000	Asia Pacific RMB'000	RMB'000
Segment revenue	2,828,611	955,997	847,920	216,626	4,849,154
Segment profit	791,423	243,836	193,744	58,729	1,287,732
Reconciliation of segment profit to profit for the period:					
Segment profit					1,287,732
Investment income					125,536
Other unallocated income and gains and losses					43,394
Unallocated expenses					(877,015)
Interest expenses					(119,332)
Share of profits of joint ventures					4,871
Share of losses of associates					(4,103)
Profit before tax					461,083
Income tax expense					(67,291)
Profit for the period					393,792

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

For the six months ended 30 June 2019 (unaudited)

	The PRC RMB'000	North America RMB'000	Europe RMB'000	Asia Pacific RMB'000	Consolidated RMB'000
Segment revenue	3,399,444	1,346,562	1,114,901	269,137	6,130,044
Segment profit	1,085,240	403,848	421,421	76,838	1,987,347
Reconciliation of segment profit to profit for the period:					
Segment profit					1,987,347
Investment income					48,342
Other unallocated income and gains and losses					148,687
Unallocated expenses					(1,011,340)
Interest expenses					(76,637)
Share of losses of joint ventures					(1,168)
Share of losses of associates					(10,099)
Profit before tax					1,085,132
Income tax expense					(151,587)
Profit for the period					933,545

4. INVESTMENT INCOME

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Interest on bank deposits	125,361	48,126
Interest on loan receivables	175	216
Total	125,536	48,342

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5. OTHER INCOME

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Government grants (note)	47,057	71,676
Service and consultation income	14,778	3,577
Sales of scrap and raw materials	7,176	11,263
Property rental income	3,759	3,672
Others	13,175	8,528
Total	85,945	98,716

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Net foreign exchange gains	20,173	1,954
Fair value changes of derivative financial instruments	(24,158)	(495)
Fair value changes of other financial assets at fair value through profit or loss ("FVTPL")	41,357	35,736
Impairment loss (recognised) reversed on trade and other receivables	(21,858)	195
Gain on deemed disposal of an associate	–	836
Write-down of inventories	(10,873)	–
(Loss) gain on disposal of property, plant and equipment	(1,613)	24,241
Impairment loss recognised on property, plant and equipment	(45,579)	(12,143)
Impairment loss recognised on intangible assets	–	(353)
Total	(42,551)	49,971

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Current tax:		
Hong Kong	–	–
PRC Enterprise Income Tax	87,056	156,438
Other jurisdictions	5,365	12,112
	92,421	168,550
Over provision in prior years:		
PRC Enterprise Income Tax	(34,286)	(46,803)
Deferred tax:		
Current period charge	9,156	29,840
	67,291	151,587

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

- (1) Those entities which are located in specific provinces of western China and engaged in specific encouraged industries enjoy a preferential tax rate of 15% under the EIT Law.
- (2) Those entities which are qualified as “Hi-New Tech Enterprises” (“HNTE”) would enjoy a preferential tax rate of 15% under the EIT Law and the qualification of HNTE is subject to every 3-year renewal.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Depreciation of property, plant and equipment	393,939	361,579
Depreciation of right-of-use assets	15,015	12,087
Amortisation of other intangible assets (included in cost of sales, administrative expenses and research expenditures)	14,440	14,213
Total depreciation and amortisation	423,394	387,879
Cost of inventories recognised	3,561,422	4,142,697
Write-down of inventories	46,169	44,067
Reversal of inventories provision	(1,162)	(4,353)

During the current interim period, pursuant to the notice released by the relevant PRC authority, certain domestic subsidiaries of the Company have been fully or partially waived to undertake a number of social securities including endowment insurance, unemployment insurance and employment injury insurance, totaling approximately RMB48,018,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

9. DIVIDENDS

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Dividends recognised as distribution during the period: 2019 Final – HK\$0.656 (2018: final dividend HK\$0.661) per share	694,445	667,384

On 19 June 2020, a dividend of HK\$0.656 per share was paid to shareholders as the final dividend for 2019 (on 20 June 2019, a dividend of HK\$0.661 per share was paid to shareholders as the final dividend for 2018).

The directors of the Company have determined that no dividend will be proposed in respect of the interim period (2019 interim period: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	369,808	894,123
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,150,597	1,147,318
Effect of dilutive share options (note)	3,361	5,478
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,153,958	1,152,796

Note: Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share neither for the six months ended 30 June 2020 nor for the six months ended 30 June 2019 as they did not have dilutive effect on the Company's earnings per share because the exercise prices of these options were higher than the average market prices of the Company's shares during the current and prior interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

During the current interim period, the Group spent RMB964,986,000 (RMB882,492,000 for the six months ended 30 June 2019) on the construction of the manufacturing plant and acquisitions of plant and machinery in the PRC, Thailand, Germany, Mexico and USA, in order to upgrade its manufacturing capabilities.

During the current and last interim period, due to the change of business plan, the management of the Group identified certain idle machineries and equipment while the Group assessed that they had no alternative plan to use them since these assets were all customised machineries and equipment for its certain customers. Accordingly, the Group recognised an impairment in respect of these idle machineries and equipment in full with carrying amounts totalling RMB45,579,000 (RMB12,143,000 for the six months ended 30 June 2019) during the current interim period.

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 1 to 30 years. The Group is required to make fixed monthly payments and additional variable payments depending on the usage of the assets during the contract period. On lease commencement, the Group recognised right-of-use assets of RMB9,190,000 including initial direct costs of RMB1,178,000 incurred and already paid by the Group (six months ended 30 June 2019: RMB3,249,000) and lease liabilities of RMB8,012,000 (six months ended 30 June 2019: RMB3,249,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

12A. TRADE AND OTHER RECEIVABLES

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Trade receivables		
– associates	12,701	15,292
– joint ventures	7,221	7,593
– non-controlling shareholders of subsidiaries	–	38
– other related parties*	–	342
– third parties	2,589,877	3,324,966
Less: allowance for credit losses	(26,786)	(16,258)
	2,583,013	3,331,973
Other receivables	179,885	182,487
Less: allowance for credit losses	(1,769)	(1,769)
	178,116	180,718
	2,761,129	3,512,691
Prepayments to suppliers	732,656	567,915
Prepaid expense	29,147	22,398
Value-added tax recoverable	190,187	137,015
Insurance recoverables for loss of property, plant and equipment	–	24,403
Interest receivable	70,730	51,498
Total trade and other receivables	3,783,849	4,315,920

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Age		
0-90 days	2,209,831	3,012,651
91-180 days	206,933	230,558
181-365 days	150,095	11,951
1-2 years	10,599	73,261
Over 2 years	5,555	3,552
	2,583,013	3,331,973

12B. CONTRACT ASSETS

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Moulds development	843,463	810,772
Current	185,714	234,230
Non-current	657,749	576,542

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Impairment loss (recognised) reversed in respect of		
Trade receivables	(20,772)	585
Other receivables	(1,086)	(390)
	(21,858)	195

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

14. DERIVATIVE FINANCIAL ASSETS/DERIVATIVE FINANCIAL LIABILITIES

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Derivative financial assets		
Foreign exchange forward contracts (a)	290	3,104
Foreign currency structural option contracts (c)	256	100
Vanilla option contracts (d)	85	–
	631	3,204
Derivative financial liabilities		
Foreign exchange forward contracts (a)	132	2,640
Interest rate swap contracts (b)	26,020	–
Foreign currency structural option contracts (c)	374	–
Vanilla option contracts (d)	456	–
	26,982	2,640

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

Notes:

a. Foreign exchange forward contracts

As of 30 June 2020, the Group had a number of outstanding foreign exchange forward contracts. Derivative financial assets of RMB290,000 (31 December 2019: RMB3,104,000), and derivative financial liabilities of RMB132,000 (31 December 2019: RMB2,640,000) have been recognised in accordance with the fair value of the above foreign exchange forward contracts, respectively.

b. Interest rate swap contracts

As of 30 June 2020, the Group had a number of interest rate swap contracts. Derivative financial liabilities of RMB26,020,000 (31 December 2019: nil) have been recognised in accordance with the fair value of the above interest rate swap contracts.

c. Foreign currency structural option contracts

As of 30 June 2020, the Group had a number of foreign currency structural option contracts. Derivative financial assets of RMB256,000 (31 December 2019: RMB100,000), and derivative financial liabilities of RMB374,000 (31 December 2019: nil) have been recognised in accordance with the fair value of the above options contracts.

d. Vanilla option contracts

As of 30 June 2020, the Group had a number of vanilla option contracts. Derivative financial assets of RMB85,000 (31 December 2019: nil) and derivative financial liabilities of RMB456,000 (31 December 2019: nil) have been recognised in accordance with the fair value of the above vanilla option contracts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15. TRADE AND OTHER PAYABLES

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Trade payables		
– associates	31,490	38,749
– joint ventures	3,785	6,933
– non-controlling shareholders of subsidiaries	5,010	8,126
– other related parties*	43,475	63,942
– third parties	1,371,085	1,796,868
	1,454,845	1,914,618
Bill payables	251,994	228,097
Other payables		
– associates	33	227
– joint ventures	30,083	12
– non-controlling shareholders of subsidiaries	8,963	26,586
– other related parties*	–	21
	39,079	26,846
	1,745,918	2,169,561
Payroll and welfare payables	175,970	481,355
Consideration payable for acquisition of property, plant and equipment	277,480	231,757
Technology support service fees payable	15,863	5,985
Freight and utilities payable	31,337	87,953
Value-added tax payable	62,727	48,218
Interest payable	10,291	8,927
Deposits received	1,246	5,888
Others	285,845	397,048
Total trade and other payables	2,606,677	3,436,692

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

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For the six months ended 30 June 2020

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

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Age		
0-90 days	1,233,704	1,748,184
91-180 days	95,652	79,500
181-365 days	85,071	43,131
1-2 years	26,838	37,720
Over 2 years	13,580	6,083
	1,454,845	1,914,618

16. BORROWINGS

During the current interim period, the Group obtained new borrowings amounting to RMB10,535,452,000 (RMB4,980,080,000 for the six months ended 30 June 2019). The loans bear interest at variable market rates. The proceeds were used to provide additional working capital for the Group. Repayments of borrowings amounting to RMB8,532,258,000 (RMB5,239,143,000 for the six months ended 30 June 2019) were made during the current interim period in line with the relevant repayment terms.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	5,000,000	500,000

	Number of shares '000	Share capital RMB'000
Issued and fully paid:		
As at 1 January 2019 (audited)	1,146,253	114,902
Exercise of share options	2,737	235
At 30 June 2019 (unaudited)	1,148,990	115,137
As at 1 January 2020 (audited)	1,149,991	115,227
Exercise of share options	1,279	116
At 30 June 2020 (unaudited)	1,151,270	115,343

18. OTHER LONG-TERM LIABILITIES AND FINANCIAL LIABILITY AT FVTPL

During the year ended 31 December 2019, the Group entered into an agreement with local government funds in the PRC to establish a partnership Jiaxing Minth Equity Investment Partnership Enterprise (Limited Partnership)* (嘉興敏實定向股權投資合夥企業(有限合夥)) ("Jiaxing Partnership") with an operation period of maximum 7 years, whose investment target is solely Jiaxing Minhua Automotive Parts Co., Ltd.* (嘉興敏華汽車零部件有限公司) ("Jiaxing Minhua"), a subsidiary of the Group. Pursuant to the agreement, the local government funds would contribute capital amounting to RMB800,000,000 into the Jiaxing Partnership. The local government funds would neither participate in Jiaxing Partnership's nor Jiaxing Minhua's operation and management. The local government funds would require the Group and the Group is obligated to redeem RMB800,000,000 of the

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

capital contributed by the local government funds with variable returns based on fulfilment of certain conditions pursuant to the agreement no later than the expiry of the operation period of Jiaxing Partnership. Therefore, the capital contribution by the local government funds is recognised as a gross obligation and treated as a financial liability at FVTPL. During the current interim period, fair value loss in respect of the financial liability amounting to RMB19,300,000 has been recognised.

During the year ended 31 December 2018, the Group entered into an agreement with a local government agency in the PRC, who agreed to inject capital contribution amounting to RMB60,000,000 into Jiaxing Guowei Automotive Parts Co., Ltd. (“Jiaxing Guowei”), a subsidiary of the Group. Pursuant to the capital injection agreement, the local government agency would not participate in Jiaxing Guowei’s operation and management. The local government agency has the right to require 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 recognised as a gross obligation and treated as a long-term liability.

* The English names are for identification purposes only.

19. SHARE-BASED PAYMENT TRANSACTIONS

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

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

For the six months ended 30 June 2020, no new share options were granted (For the six months ended 30 June 2019, no new share options were granted).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

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

	Number of share options
Outstanding as at 1 January 2020 (audited)	31,724,500
Granted during the period	–
Exercised during the period	(1,279,000)
Forfeited during the period	(1,325,000)
Outstanding as at 30 June 2020 (unaudited)	29,120,500

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

During the current interim period, the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$25.25 (six months ended 30 June 2019: HK\$25.66).

The Group recognised the total expenses of RMB18,091,000 for the current interim period (RMB37,975,000 for the six months ended 30 June 2019) in relation to share options granted by the Company.

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20. COMMITMENTS

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

	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	747,501	333,316

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

21. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

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

Relationship with related/ connected party	Nature of transactions	Six months ended 30 June	
		2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Joint ventures, in which the Group has a 50% and 51% equity interests	Sales of raw materials	316	1,533
	Sales of finished goods	17,313	22,349
	Purchases of raw materials	9,706	17,020
	Purchases of finished goods	933	1,966
Associates, in which the Group has a 12.7%, 30%, 35% and 40% equity interests	Sales of raw materials	95	1,224
	Sales of finished goods	304	18,774
	Purchases of raw materials	25,418	26,708
	Purchases of semi-finished products	10,657	7,288
	Purchases of finished goods	106	1,013
	Purchases of moulds	1,750	92
	Property rental income	4	1,077
	Sales of property, plant and equipment	-	11
Companies in which Mr. Chin and his family have control	Other operating income	144	5
	Sales of finished goods	800	-
	Purchases of semi-finished moulds	5,433	21,260
	Purchases of moulds	17,853	418
	Purchases of finished goods	14,311	221
	Purchases of property, plant and equipment	22,435	2,410
	Property rental income	602	1,253
	Property rental expenses	726	-
	Technology support services charges	29	4,301

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

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For the six months ended 30 June 2020

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Short-term benefits	7,015	5,269
Post-employment benefits	74	73
Share-based payments	1,217	3,493
	8,306	8,835

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

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Basis of fair value measurement/valuation technique(s) and key input(s)
	30 June 2020 (unaudited)	31 December 2019 (audited)		
1) Foreign currency forward contracts classified as derivative financial assets and liabilities	Assets – RMB290,000 Liabilities – RMB132,000	Assets – RMB3,104,000 Liabilities – RMB2,640,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
2) Interest rate swap contracts classified as derivative financial assets and liabilities	Liabilities – RMB26,020,000	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on applicable yield curves derived from quoted interest rates and contracted interest rates on each maturity date and contracted forward interest rate at the end of the final maturity date, discounted at a rate that reflects the credit risk of various counterparties.
3) Vanilla option contracts classified as derivative financial assets and liabilities	Assets – RMB85,000 Liabilities – RMB456,000	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
4) Debt instruments at FVTOCI	Assets – RMB110,371,000	Assets – RMB256,647,000	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.
5) Foreign currency structural option contracts classified as derivative financial assets and liabilities	Assets – RMB256,000 Liabilities – RMB374,000	Assets – RMB100,000	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) Financial liability at FVTPL	Liabilities – RMB819,300,000	Liabilities – RMB800,000,000	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Reconciliation of Level 3 fair value measurement:

	Structural Option contracts RMB'000	Call Option classified as derivative financial assets RMB'000	Total RMB'000
Balance as at 1 January 2019 (audited)	47	50	97
Fair value gain	4,120	–	4,120
Settlements	(4,067)	(50)	(4,117)
Balance as at 31 December 2019 (audited)	100	–	100
Fair value loss	(118)	–	(118)
Settlements	(100)	–	(100)
Balance as at 30 June 2020 (unaudited)	(118)	–	(118)

Of the total gains or losses for the period included in profit or loss, unrealised loss of RMB118,000 (2019: gain of RMB3,000) 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'.

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For the six months ended 30 June 2020

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

As at 28 July 2020, the Company offered to grant share options to certain eligible participants who have contributed or will contribute to the Group as a reward or incentive under the share option scheme adopted by the Company on 22 May 2012 to subscribe for a total of 28,000,000 ordinary shares of HK\$0.10 each in the issued share capital of the Company. Exercise price of the share options granted is HK\$23.85 per share, validity period of the share options are from 1 July 2021 to 31 December 2025.

Out of the 28,000,000 share options granted, 1,350,000 share options were granted to 4 directors and/or their respective connected persons, whereas a total of 26,650,000 share options were granted to certain employees of the Group.