MINTH
敏實集團

MINTH GROUP LIMITED
敏 實 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 425)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 13.8% to approximately RMB5,993 million (the same period in 2017: approximately RMB5,266 million).
- Gross profit margin was approximately 33.4% (the same period in 2017: approximately 33.8%).
- Profit attributable to owners of the Company decreased by approximately 6.4% to approximately RMB986 million (the same period in 2017: approximately RMB1,053 million).
- Basic earnings per share amounted to approximately RMB0.862 (the same period in 2017: approximately RMB0.929).

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Minth Group Limited (the "**Company**") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018 (the "**Review Period**"), together with the comparative figures for the six months ended 30 June 2017 (the "**same period in 2017**") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

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

	Note	Six months ended 30 June 2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Profit for the period attributable to:			
Owners of the Company		**985,774**	1,053,271
Non-controlling interests		**32,546**	31,359
		1,018,320	1,084,630
Total comprehensive income for the period attributable to:			
Owners of the Company		**999,268**	1,130,784
Non-controlling interests		**32,445**	32,116
		1,031,713	1,162,900
Earnings per share	*7*		
Basic		**RMB0.862**	RMB0.929
Diluted		**RMB0.854**	RMB0.919

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

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

	Note	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Current liabilities			
Trade and other payables	9	**2,912,610**	2,890,107
Tax liabilities		**121,083**	133,237
Borrowings		**4,087,746**	2,493,574
Contract liabilities		**59,227**	–
Derivative financial liabilities		**11,995**	25,737
		7,192,661	5,542,655
Net current assets		**3,634,766**	4,514,562
Total assets less current liabilities		**12,909,875**	12,566,307
Capital and reserves			
Share capital		**114,823**	114,425
Share premium and reserves		**12,267,832**	11,998,709
Equity attributable to owners of the Company		**12,382,655**	12,113,134
Non-controlling interests		**289,823**	284,971
Total equity		**12,672,478**	12,398,105
Non-current liabilities			
Deferred tax liabilities		**59,064**	48,265
Retirement benefit obligations		**16,811**	15,646
Derivative financial liabilities		**–**	2,879
Other long-term liabilities		**161,522**	101,412
		237,397	168,202
		12,909,875	12,566,307

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments, the impacts on opening condensed consolidated statement of financial position arising from the application of all new standards are described as below.

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

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

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

3. REVENUE AND SEGMENT INFORMATION

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

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

For the six months ended 30 June 2018 (unaudited)

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

For the six months ended 30 June 2017 (unaudited)

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

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

4. INCOME TAX EXPENSE

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

5. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**281,717**	227,549
Amortisation of other intangible assets (included in cost of sales, administrative expenses and research expenditures)	**11,529**	7,811
Total depreciation and amortisation	**293,246**	235,360
Cost of inventories recognised	**3,988,488**	3,487,092
Write-down of inventories	**4,631**	15,846
Reversal of inventories provision	**(932)**	(20,746)

6. DIVIDENDS

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

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

The directors of the Company have determined that no dividend will be proposed in respect of the interim period (2017 interim period: nil).

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**985,774**	1,053,271
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,144,131**	1,133,867
Effect of dilutive share options *(note)*	**10,021**	12,774
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,154,152**	1,146,641

Note: Certain outstanding share options of the Company have not been included in the computation of diluted earnings per share for the six months ended 30 June 2018 as they did not have dilutive effect on the Company's earnings per share because the exercise prices of these options were higher than the average market prices of the Company's shares during the current interim period.

8A. CONTRACT ASSETS

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

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

8B. TRADE AND OTHER RECEIVABLES

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

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

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

9. TRADE AND OTHER PAYABLES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

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

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

COMPANY OVERVIEW

The Group is primarily engaged in the design, manufacture and sales of trims, decorative parts, body structural parts, roof racks and other related auto parts. The manufacturing bases of the Group are mainly located in China, the U.S., Mexico, Thailand and Germany. With the support of the technical centers in China, Germany, North America and Japan, the Group is able to provide services for major automotive markets across the globe, and meet the growing demand from its customers.

During the Review Period, according to the Top 100 Global OEM Parts Suppliers in 2018 published by *Automotive News*, the Group's ranking rose from the 93rd place in 2017 to the 92nd place, reflecting a steady improvement and prosperous development of the Group.

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

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

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

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

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

Business and Operation Layout

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

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

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

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

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

Research and Development

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

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

FINANCIAL REVIEW

RESULTS

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

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

Gross Profit

During the Review Period, the Group's overall gross profit margin was approximately 33.4%, representing a decrease of approximately 0.4% from approximately 33.8% in the same period of 2017. Such decrease during the Review Period was mainly due to the pressure from the Group's ASP decline of products for old models, price hike of raw materials and the depreciation of the US dollar ("**USD**") against RMB as compared to the same period in 2017. Therefore, the Group continued to enhance its efficiency of both production and management by adopting measures such as lean manufacturing and improvement of production layout, while proactively optimizing product mix and increasing gross margins in its plants in Mexico, which resulted in the overall gross profit margin remaining at a decent level.

Investment Income

During the Review Period, the investment income of the Group was approximately RMB32,535,000, representing a decrease of approximately RMB6,545,000 from approximately RMB39,080,000 in the same period of 2017. It was mainly due to the fact that, by contrast with the dividend income from the available-for-sale assets recognized in the same period of 2017, there was no such income recorded during the Review Period since the designated available-for-sale assets were fully sold out in 2017.

Other Income

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

Other Gains and Losses

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

Distribution and Selling Expenses

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

Administrative Expenses

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

Research Expenditures

During the Review Period, the research expenditures of the Group amounted to approximately RMB260,220,000, representing an increase of approximately RMB48,367,000 from approximately RMB211,853,000 in the same period of 2017. It accounted for approximately 4.3% of revenue of the Group, representing an increase of approximately 0.3% from approximately 4.0% in the same period of 2017. It was mainly attributable to an increase in labor costs arising from the Group's recruitment of high-level R&D personnel to enhance R&D capabilities to maintain its market competitiveness and sustainable development, as well as its continuously increasing investment in R&D.

Share of Profits of Joint Ventures

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

Share of Profits of Associates

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

Income Tax Expense

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

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

Profits Attributable to Non-controlling Interests

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

Liquidity and Financial Resources

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

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

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

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

Inventory turnover days were approximately 80 days, extended by approximately 14 days from approximately 66 days for the same period of 2017, which was mainly attributable to the impact of changes in the Group's accounting policies in accordance with new and amendments to HKFRSs, an increase in the mould inventory arising from the growing number of new projects under development and an increase in inventories reserved for new projects.

The Group's current ratio was approximately 1.5 as of 30 June 2018, decreased by approximately 0.3 from approximately 1.8 as of 31 December 2017. As of 30 June 2018, the Group's gearing ratio was approximately 21.1% (31 December 2017: approximately 14.3%), which was a percentage based on the interest bearing borrowings divided by total assets.

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

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

COMMITMENTS

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

INTEREST RATE AND FOREIGN EXCHANGE RISKS

As of 30 June 2018, the balance of the Group's bank borrowings was approximately RMB4,087,746,000, of which RMB890,000,000 was bearing fixed interest rates, and approximately RMB3,197,746,000 was bearing floating interest rates. These borrowings had no seasonality features. In addition, approximately RMB1,348,421,000 of the said borrowings was denominated in currencies other than the functional currencies of the Group's related entities, of which the equivalent of approximately RMB696,766,000, approximately RMB438,943,000 and approximately RMB212,712,000 were denominated in USD, HKD and EUR respectively.

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

As of 30 June 2018, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB1,222,349,000, of which approximately RMB1,112,008,000 was denominated in USD, approximately RMB52,653,000 was denominated in HKD, approximately RMB29,427,000 was denominated in Japanese Yen ("**JPY**"), approximately RMB23,136,000 was denominated in EUR, approximately RMB5,030,000 was denominated in Mexico Peso ("**MXN**"), the remainder of approximately RMB95,000 was denominated in other foreign currencies. In order to mitigate the foreign exchange risk, the Group has delegated a team responsible for the planning of related work.

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

CONTINGENT LIABILITIES

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

MORTGAGED ASSETS

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

CAPITAL EXPENDITURE

Capital expenditure includes the acquisition of property, plant and equipment, the increase in construction in progress and the addition of land use rights. During the Review Period, the Group's capital expenditure amounted to approximately RMB1,119,706,000 (the same period in 2017: approximately RMB1,077,146,000), which was attributable to the continuous expansion in scale of R&D and production under the objective of lean production and maximized profitability, as well as the Group's rational control over investments in fixed assets in accordance with the asset-light guidelines.

MATERIAL ACQUISITIONS AND DISPOSALS

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

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

EMPLOYEES

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

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

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

Share Option Scheme

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

On 10 April 2018, the Board of the Company granted share options to a group of eligible participants (the "**Grantees**") to subscribe for a total of 25,000,000 shares of the Company, allowing the Grantees to exercise such Share Options starting from 1 April 2019 to 31 December 2023 (both days inclusive). The price per share payable by the Grantees upon exercising the Share Options was determined pursuant to the Listing Rules and with reference to the closing price as stated in the daily quotation sheet of the Stock Exchange on 10 April 2018 (i.e. the date of grant). The Directors considered that the grant of such Share Options would not lead to any material adverse impact on the financial conditions of the Group. Further details of the grant of Share Options mentioned above are set out in the Company's announcement dated 10 April 2018.

Future Prospects and Strategies

Given a generally stable economic development in China during the Review Period, the added value of industrial enterprises above the designated size across the country increased by approximately 6.7% on a year-on-year basis, and the structural overcapacity was further slashed, delivering remarkable results in the supply-side reform. However, as to global market environment, given frequent global trade frictions, the international multilateral trading system was exposed to serious challenges, and China will also face challenges in a more complicated external environment, bringing more uncertainties to the prospect for the second half year of 2018. In March 2018, the United States sounded the trumpet call for a trade war and proposed the imposition of punitive tariffs on Chinese products. The United States announced that it would impose a 25% tariff on Chinese exports amounting to an annual trade value of about US$34 billion with effect from 6 July 2018. Following completion of the legal procedures, the tariff coverage was extended to an annual trade value of US$50 billion of Chinese exports. On 10 July 2018, The Office of the United States Trade Representative ("**USTR**") initiated the procedure of imposing additional tariffs on another series of products from China amounting to an annual trade value of US$200 billion, which involved the Group's products exported to the United States. The USTR is conducting public consultation on the issue of imposing additional tariffs for the time being, and the Group is temporarily unable to assess the potential impact of the proposed tariffs on the Group. The management of the Group will closely monitor the progress of such matters, and continue to maintain active communications with its customers. To cope with the impact arising from the trade frictions between China and the US, the Group initiated the process of customers' approval regarding the products the production of which was scheduled to be translocated from China to Thailand in 2017. The translocation is now being smoothly carried out. In the meantime, the organizational structure of the Group's plants in Thailand was optimized, with its management authority being taken over by South China Region of the Group, so that the capabilities of operational management and customer response of the overseas plants could be further enhanced. In addition, to mitigate the potential adverse impacts brought by the proposed tariffs against the Group, the Group will continue exercising stringent control over various costs and expenses, while enhancing its competitive advantage and its profitability by effectively adopting various methods, including boosting production efficiency and equipment lifespan, as well as improving product yield. On the other hand, the Group will strategically expand the capacity of its overseas manufacturing bases to reduce logistics costs and the potential impact arising from volatile international political environment. As to macro-policy, China issued the guiding policies, including the "Announcement on Reducing Import Tariffs on Vehicles and Automotive Parts" (《關於降低汽車整車及零部件進口關稅的公告》), "Regulations on Investment Management of Automotive Industry (Consultation Paper)" (《汽車產業投資管理規定(徵求意見稿)》), "Notice on Several Measures for Active and Effective Use of Foreign Capital to Promote High-Quality Development" (《關於積極有效利用外資推動高質量發展若干措施的通知》), and "National Guidelines on the Development of Internet of Vehicles Industry Standard Systems" (《國家車聯網產業標準體系建設指南》). Besides confronting the competition in the international market in a more open approach, these guidelines will promote the automotive industry to optimize its industrial layout and standardize the management of investments in the industrial chain, and accelerate the development of new technologies and new products, such as self-driving and internet of vehicles, thereby guiding the automotive industry to shift from a market with products based on traditional fuel vehicles to a market based on electrified and intelligent applications. OEMs accelerate the enhancement of product competitiveness and commercialization, while the collaborative development strategy becomes a countermeasure for many automotive companies. In the future, the automotive industry will face increasingly intense competition.

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

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

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

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

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

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

Purchase, Sale or Redemption of the Listed Securities of the Company

During the Review Period, the grantees of the Share Option Scheme exercised 4,817,600 Share Options in accordance with the rules and terms of the Share Option Scheme.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND COMPLIANCE WITH MODEL CODE

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

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

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

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

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

MATERIAL LITIGATION AND ARBITRATION

Save for the petition served by the Securities and Futures Commission ("**SFC**") to the Company on 11 April 2014, details of which were set out in the Company's announcements dated 14 April 2014, 29 May 2014 and 9 July 2014 and its 2015, 2016 and 2017 annual reports, the Group is not engaged in any litigation or arbitration of material importance during the Review Period. On 31 August 2016, the SFC amended its Petition in the court proceedings to add further particulars. The trial for the court proceedings has been fixed to commence on 14 October 2019 (with 25 days reserved).

AUDIT COMMITTEE

The Audit Committee of the Company consists of three independent non-executive Directors, namely Mr. Wu Fred Fong (chairman of the Audit Committee), Dr. Wang Ching and Ms. Yu Zheng. The committee reviews the Group's internal control systems, the completeness and accuracy of the Group's financial statements and liaises on behalf of the Directors with the external auditor. Members of the Committee will meet regularly with the management and external auditor to review the audit reports as well as the interim and annual financial reports of the Group. The Audit Committee has reviewed the unaudited condensed consolidated financial statements for the six months ended 30 June 2018 and this interim results announcement, and recommended the adoption by the Board.

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

Hong Kong, 21 August 2018

As at the date of this announcement, the board of Directors comprises Mr. Chin Jong Hwa, Mr. Zhao Feng, Ms. Chin Chien Ya and Ms. Huang Chiung Hui being executive Directors; and Mr. Wu Fred Fong, Dr. Wang Ching and Ms. Yu Zheng being independent non-executive Directors.