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 2019

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 2.3% to approximately RMB6,130 million (the same period in 2018: approximately RMB5,993 million).
- Gross profit margin was approximately 32.4% (the same period in 2018: approximately 33.4%).
- Profit attributable to owners of the Company decreased by approximately 9.3% to approximately RMB894 million (the same period in 2018: approximately RMB986 million).
- Basic earnings per share amounted to approximately RMB0.779 (the same period in 2018: approximately RMB0.862).

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 2019 (the "Review Period"), together with the comparative figures for the six months ended 30 June 2018 (the "same period in 2018") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

	Note	Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
		RMB'000	*RMB'000*
Profit for the period attributable to:			
Owners of the Company		**894,123**	985,774
Non-controlling interests		**39,422**	32,546
		933,545	1,018,320
Total comprehensive income for the period attributable to:			
Owners of the Company		**906,307**	999,268
Non-controlling interests		**40,439**	32,445
		946,746	1,031,713
Earnings per share	*7*		
Basic		**RMB0.779**	RMB0.862
Diluted		**RMB0.776**	RMB0.854

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019

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

	Note	At **30 June** **2019** **(Unaudited)** ***RMB'000***	At 31 December 2018 (Audited) *RMB'000*
Current liabilities			
Trade and other payables	*9*	**2,856,093**	3,291,632
Tax liabilities		**85,046**	136,218
Borrowings		**3,834,840**	4,091,130
Lease liabilities		**5,282**	–
Contract liabilities		**93,301**	72,685
Derivative financial liabilities		**7,030**	1,170
Other long-term liability due within one year		**103,662**	–
		6,985,254	7,592,835
Net current assets		**3,537,058**	3,554,014
Total assets less current liabilities		**14,055,063**	13,675,253
Capital and reserves			
Share capital		**115,137**	114,902
Share premium and reserves		**13,358,244**	13,045,512
Equity attributable to owners of the Company		**13,473,381**	13,160,414
Non-controlling interests		**380,383**	268,292
Total equity		**13,853,764**	13,428,706
Non-current liabilities			
Deferred tax liabilities		**84,072**	67,405
Retirement benefit obligations		**15,471**	15,471
Lease liabilities		**13,946**	–
Derivative financial liabilities		**4,185**	759
Deferred income		**20,705**	–
Other long-term liabilities		**62,920**	162,912
		201,299	246,547
		14,055,063	13,675,253

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of new and amendments to HKFRSs

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

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

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

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

Summary of effects arising from initial application of HKFRS 16

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

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

3. SEGMENT INFORMATION

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

For the six months ended 30 June 2019 (unaudited)

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

For the six months ended 30 June 2018 (unaudited)

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

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

4. INCOME TAX EXPENSE

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

5. PROFIT FOR THE PERIOD

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

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

6. DIVIDENDS

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

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

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

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

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

8A. TRADE AND OTHER RECEIVABLES

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

* The companies are those in which Mr. Chin Jong Hwa ("Mr. Chin") and his family have control.

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

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

8B. CONTRACT ASSETS

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

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

9. TRADE AND OTHER PAYABLES

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

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

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

COMPANY OVERVIEW

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

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

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

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

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

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

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

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

Business and Operation Layout

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

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

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

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

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

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

Research and Development

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

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

FINANCIAL REVIEW

RESULTS

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

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

Gross Profit

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

Investment Income

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

Other Income

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

Other Gains and Losses

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

Distribution and Selling Expenses

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

Administrative Expenses

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

Research Expenditures

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

Share of Losses of Joint Ventures

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

Share of (Losses) Profits of Associates

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

Income Tax Expense

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

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

Profits Attributable to Non-controlling Interests

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

Liquidity and Financial Resources

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

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

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

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

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

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

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

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

COMMITMENTS

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

INTEREST RATE AND FOREIGN EXCHANGE RISKS

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

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

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

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

CONTINGENT LIABILITIES

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

MORTGAGED ASSETS

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

CAPITAL EXPENDITURE

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

EMPLOYEES

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

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

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

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.

FUTURE PROSPECTS AND STRATEGIES

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

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

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

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

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

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

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

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

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

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

During the Review Period, the Grantees of the Share Option Scheme exercised 2,737,500 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 THE MODEL CODE

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

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

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

The Company has adopted the Model Code 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

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

AUDIT COMMITTEE

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

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; Mr. Wu Fred Fong, Dr. Wang Ching and Ms. Yu Zheng being independent non-executive Directors.