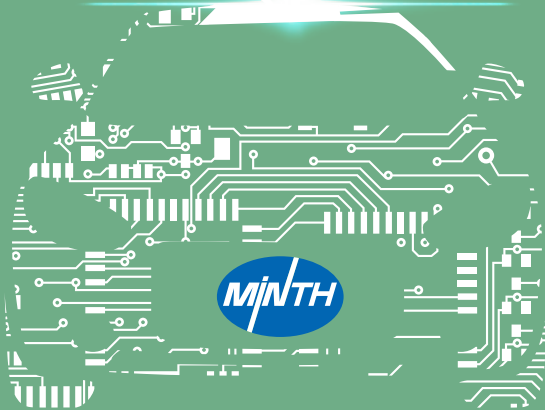


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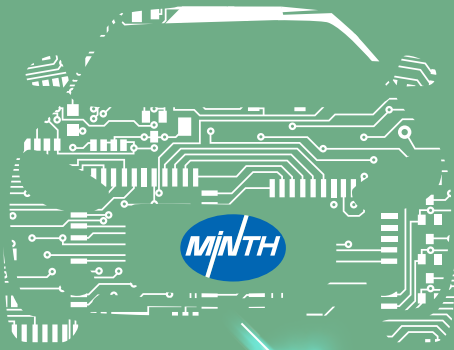
2023
INTERIM
REPORT



MINTH GROUP LIMITED
敏實集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 425



CORE VALUES

Integrity
Trust

Teamwork
Embrace change

VISION

We create beauty in motion with intelligence

MISSION

Make automobiles lighter, prettier and more intelligent

TARGET

To be the top 50 global auto parts supplier in 2025



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

CORPORATE INFORMATION

THE BOARD

Executive directors

Wei Ching Lien (*Chairperson and
Chief Executive Officer*)

Ye Guo Qiang

Zhang Yuxia (*appointed on 31 May 2023*)

Non-executive director

Chin Chien Ya (*re-designated on 31 May
2023*)

Independent non-executive directors

Wang Ching

Chen Quan Shi

Mok Kwai Pui Bill (*appointed on
31 May 2023*)

Tatsunobu Sako (*appointed on
31 May 2023*)

Wu Tak Lung (*retired on 31 May 2023*)

COMPANY SECRETARY

Yi Lei Li

REGISTERED OFFICE

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CORPORATE INFORMATION

PRINCIPAL BANKERS

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Services Limited
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AUDITOR

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Certified Public Accountants
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As to PRC Law
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1 Hangda Road
Hangzhou
China

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

STOCK CODE

SEHK Code: 0425

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the six months ended 30 June 2023 (the “Review Period”), the overall market environment remained complex due to factors such as the Russia-Ukraine war, geopolitical developments and diverse trends in global economic growth. However, with the improved upstream supply, the global automobile industry has recorded a significant upturn. The release of pent-up consumer demand and the resumption of supply were conducive to market improvement, fostering recovery of the global automotive industry chain to a certain extent.

During the Review Period, China’s economic performance exhibited a positive recovery momentum. With the scheduled implementation of China VI vehicle emission standards, the extension of the new energy vehicles (“NEVs”) purchase tax incentives and persistent release of policy benefits, coupled with the promotions of various OEMs, the Chinese automobile market, especially the passenger vehicle market, witnessed a favourable growth. During the Review Period, according to the data from China Association of Automobile Manufacturers, the production and sales of China’s passenger vehicles were approximately 11,281,000 units and approximately 11,268,000 units respectively, representing a year-on-year increase of approximately 8.1% and approximately 8.8% respectively. Meanwhile, China has become the world’s largest automobile exporter with significant growth in automobile export driven by the rapid development of the automobile industry in China. During the Review Period, according to the data from China Association of Automobile Manufacturers, the export sales of whole vehicles in China were approximately 2,341,000 units, representing a year-on-year increase of approximately 76.9%. Meanwhile, there were certain changes in the landscape of China’s passenger vehicle market. During the Review Period, the market share of joint venture OEMs in China decreased. The market share of German and Japanese OEMs in China was approximately 19.1% and approximately 14.9%, respectively, representing a year-on-year decrease of approximately 0.6 and approximately 5.8 percentage points, respectively; the market share of American and Korean OEMs in China was approximately 9.5% and approximately 1.6% respectively, and remained at similar level compared to the same period last year, while the market share of Chinese OEMs grew steadily to approximately 53.1% for passenger vehicles, representing a year-on-year increase of approximately 5.9 percentage points. During the Review Period, according to the statistics of Marklines, China’s sales volume of NEVs was approximately 3,747,000 units, with the market share further increasing to approximately 60% out of the global NEV market.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Review Period, according to statistics of GlobalData, global sales of light vehicles amounted to approximately 42,736,000 units, representing a year-on-year increase of approximately 10.7%. During the Review Period, among major mature markets, sales in the United States (the “US”) market were approximately 7,663,000 units, representing a year-on-year increase of approximately 12.8%; sales in the Western European market were approximately 6,743,000 units, representing a year-on-year increase of approximately 16.9%; while sales in the Japanese market were approximately 2,431,000 units, representing a year-on-year increase of approximately 17.8%. During the Review Period, among major emerging markets, sales in the Brazilian and Indian markets increased by approximately 7.3% and approximately 8.9% respectively on an annual basis while the Thai market decreased by approximately 5.0% on an annual basis. Furthermore, during the Review Period, sales in the Mexican market increased by approximately 22.1%, and sales in the Russian market decreased by approximately 3.1% on an annual basis.

COMPANY OVERVIEW

Mint Group Limited (the “Company”) together with its subsidiaries (collectively the “Group”) is primarily engaged in two major businesses, namely the research and development (“R&D”), production and sales of auto parts and toolings and moulds. The auto part business of the Group mainly includes metal and trim products, plastic products, aluminium products and battery housing products. The tooling and mould business mainly includes various moulds, gauges and fixtures for the development, processing and production of automobile exterior decorative parts and body structural parts. As a global supplier, the Group has established its presence through the development of R&D, design, production and sales networks in China, the US, Mexico, Germany, the United Kingdom, Serbia, the Czech Republic, Thailand, Japan, Korea etc. Together with the new bases in France and Poland, which are in the phase of equipment and production lines installation and commissioning, the Group is committed to continuously providing customers with quality services and products.

During the Review Period, the four product business units (“BUs”) of the Group, namely plastic products, aluminium products, metal and trim products, and battery housing products, continued to work with cross-functional departments and production plants to further improve operating efficiency through their effective synergy. The Group continuously optimised the management mode of localised talent cultivation and talent rotation, thus fortifying its core competitiveness in terms of technology, product and talent. The Group has established a platform to conduct cost assessment for all of its products.

MANAGEMENT DISCUSSION AND ANALYSIS

Specific products already in mass production were given priority during the optimisation process through benchmarking against like products to minimise waste and effectively control inventory turnover days. Meanwhile, in consideration of practical requirements in its business development, the Group carried out production capacity planning and investment in a rational manner and established a system management process for the full life cycle of its assets, so as to realise a production capacity layout that is most in line with Minth's global operations.

During the Review Period, the Group continued to deepen the implementation of Minth Operation Excellence System (敏實卓越運營系統) ("MOS") and formulated and upgraded a set of universal standards for its global operation excellence management, which facilitated the tools of cost attribution matrix pillar to better complement with the key performance indicators related to its operations, thereby allowing it to broaden income stream and reduce expenses while cutting costs and enhancing efficiency, which in turn would maximise the production and staff efficiency. During the Review Period, in respect of the application and standardisation of MOS tools, the Group continued to implement the transition from the reaction stage to the prevention stage. All BUs have completed the MOS talent layout and established an echelon of teams, which enabled each BU to implement and develop MOS on its own. During the Review Period, the Group continued to utilise MOS as the assessment standard for its plant operation management, and identified eight perspectives, namely, management, "environment/quality/safety", cost, human resources, production excellence, equipment maintenance, logistics and suppliers, as the principal management elements of its plant operations. The Group continued to promote exchanges and appraisals among factories to facilitate the sharing and standardisation of best practices within the Group, thereby creating a more competitive standard product cycle time, so that best practices could be quickly standardised and replicated in its global plants. In the course of MOS implementation, the Group has also been seeking for improvements continuously. During the Review Period, the Group further optimised the primary-stage product management and added it as an evaluation criterion, and the Group also simplified the work flows to reduce, to a further extent, the risks and costs incurred prior to mass production with less resources input. During the Review Period, through the effective applications of digital transformation in the pillars including workshop organisation, logistics and supply chain, equipment management, quality control and management, the Group could secure the accuracy of information, which, together with the application of AI photo technology, could ensure that MOS is capable of implementing a self-sustaining operation excellence system for the entire value chain.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Review Period, with enhanced processing and manufacturing technologies and production models, the Group continued to boost the overall competitiveness of traditional products and strive for a thorough penetration of these products at customers' end. Meanwhile, through frequent exchange and interaction with its customers, the Group remained committed to the provision of systematic solutions to customers' internal combustion engine ("ICE") vehicle models and NEV models by perceiving customer demands in relation to product, technology and material innovation. During the Review Period, while ensuring the smooth mass production and ramp-up for several battery housing projects, the Group continued to push forward the market expansion and mass production for innovative product offerings, such as body and chassis components and intelligent exterior decorative parts. Mass production projects such as intelligent front module, smart door system, plastic tailgate, bumper beam, stiffener sill, etc., have started to generate revenue. The gradual mass production of the awarded projects and the continuous development of new businesses in the future will be another driving force for the Group's medium to long term development.

During the Review Period, with the further implementation of digital application systems such as ERP, MES and SCADA, the Group's Digital Transformation Centre implemented the design and development of digital products throughout the life cycle of the production of products, fixed assets, and R&D data etc. from the perspectives of data connection, information visualization, lean analysis, efficient end-to-end synergy, digital development of on-site management, digital security, etc., laying a solid foundation for enhancing digital management of the entire operation process and improving the efficiency of corporate operations comprehensively. The Group's Digital Transformation Centre continued to cooperate with a team of professional consultants to promote the rapid rollout of the Group's digital platform templates in its global factories, with the aim of realising rapid collaborative handling of orders, multi-dimensional intelligent operation, interconnection and interoperability among various segments, thereby creating a forward-looking operation and management model, and effectively boosting the Group's agile operation. As a typical example of digital transformation and upgrade, the Group's Factory of the Future, equipped with systems or functions such as SAP-MES, warehouse management system, 3D visualisation, fully automated logistics system and industrial internet, is able to run as an unmanned and lights-out factory, which will be replicated when its operation is mature, thus heralding the Group towards comprehensive digital transformation and upgrade.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Review Period, the Group kept deepening its engagement in the management of environment, occupational health and safety (“EHS”) based on its EHS system to achieve the goal of green manufacturing with intelligence and sustainable development, and gradually complete the construction of both energy system and carbon emission management system, so as to fulfil its corporate social responsibilities and gradually promote and develop a prominent Minth EHS management system.

During the Review Period, the Group initiated ISO50001 energy management internal audit, management assessment and certification, with a certification coverage of 86%, and set up energy management function, annual performance targets, energy-saving management and technology solutions and daily review system at factory, BU and group levels. During the Review Period, the Group continued to enhance the effectiveness in energy saving and carbon reduction, with energy consumption per RMB10,000 of output value reduced by approximately 13.5% year-on-year.

During the Review Period, the Group continued to enhance its digital EHS management and carbon emission management. With the six modules launched on the Group’s digital EHS system, namely the workplace accident management system, construction management system, EHS red line management system, EHS hidden-danger management system, hazardous waste management system and carbon emission management system, the Group has comprehensively improved its EHS management efficiency, EHS risk prevention capability and emergency handling capability in its global factories. In particular, the already launched carbon emission management system is able to measure and verify carbon emission intensity and carbon footprint, as well as to manage energy-saving and low-carbon projects, in a bid to facilitate the Group to achieve its goals of carbon peaking by 2030 and carbon neutrality by 2050.

During the Review Period, the Group continued to strengthen its safety management across all BUs on a uniform basis with a focus on on-site operations, and updated the Group’s EHS red lines in line with the changes in relevant regulations. Based on a set of criteria called the “ten major red lines” and centered around “list management & process control”, the Group put forward the EHS management principle of “clear communication, precise implementation and complete evidence chain” to enhance the safety awareness of employees and reinforce the management’s awareness of risk identification, which will ensure operational safety at the factory level. The Group continued to introduce advanced technologies for wastewater, emissions and hazardous waste treatment, so as to reduce pollutant discharge and emission, increase investment in waste recycling facilities,

MANAGEMENT DISCUSSION AND ANALYSIS

reduce procurement of raw materials and supplies, lower operating costs with enhanced operation management of the emission treatment facilities, install additional online pollutant monitoring equipment, as well as provide real-time monitoring for, and ensure effective operations of the emission treatment facilities. All of these will ensure that the pollutant discharge of the Group is up to standards. The Group has always attached great importance to the development and management of occupational health by optimising management mechanisms for jobs subject to occupational hazards, improving the working environment for staff and ensuring comprehensive implementation of the occupational health check systems to safeguard the general health and well-being of the employees.

During the Review Period, the Group's EHS team continued to implement a mid-year "ten major red lines" audit against each factory in the Asia-Pacific, Europe and North America regions, commenced corporate compliance audit from 45 dimensions, passed the supervisory audit of the ISO45001 and ISO14001 System, identified and reduced on-site key risks, and comprehensively enhanced its management and control capability in key EHS risks, which facilitated the Group to avoid the risks of the occurrence of fire accident and work-related injury and enhanced its EHS performance, so as to ensure safe and healthy operations of the Group eventually. During the Review Period, work-related injury or accident rate per million working hours of the Group was 1.17.

During the Review Period, while adhering to green and sustainable development, the Group proactively participated in climate change initiatives and endeavored to reduce the risk of climate change. As at the date of this interim report, the Group has initiated the preparation of the "Minth Group's White Paper on Climate Change". The White Paper will analyze the Group's level of climate governance, conduct an initial assessment of the risks and opportunities in addressing climate change, measure carbon emissions, and formulate corresponding carbon reduction strategies, targets and implementation roadmaps in consideration of the factors such as macro background, industry trends and corporate characteristics, with a view to demonstrating the Group's leadership in responding to climate change. The White Paper is expected to be completed and published by the end of 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Review Period, in accordance with the provisions of “Minth Group Internal Control and Risk Management Policy” and “Guidelines on Internal Control and Risk Management of Minth Group”, the Group further optimised its system of internal control and risk management, promoted and supervised the internal control formulation and risk management of each functional department and operation unit, organised the management to carry out internal control knowledge training, and organised all units to complete regular risk assessment work. Centering around its development strategy and in combination with management model reforms and digital transformation, the Group has basically completed its audit and risk control model, through which the Group is able to identify risks and conduct risk prewarning, as well as to update and maintain the authorisation framework on a continuous basis in line with its organisational structure and business practices. Meanwhile, with its continued efforts to expand the scope of internal audit, the Group has extended the coverage to the Asia-Pacific region and the European region during the Review Period, and plans to further increase the coverage in North America by the end of 2023, thereby achieving full audit coverage of the Group’s major factories in all regions of the world, with a view to lowering the internal and external compliance risks of the organisation and enhancing the efficiency and effectiveness of the organisation’s operations. Upon Jiaying Minhui Automotive Parts Co., Ltd.* (嘉興敏惠汽車零部件有限公司), a subsidiary of the Company, successfully obtaining the certification of ISO37001 anti-bribery management system in 2022, the Group will continue to promote the accreditation of other subsidiaries by continuously improving its anti-corruption system and strengthening its anti-corruption publicity and education. With the help of “Minth Group Limited Code of Business Conduct and Ethics”, the “Minth Group Policy on Whistleblowing for Ethics and Compliance” and other documents, which specify the Group’s requirements and commitments on business ethics and compliance, the Group protects and rewards the reporting of various non-compliances and violations of business ethics, and is committed to creating a favourable business ethical environment for the Group and all stakeholders to firmly safeguard the lawful rights and interests of the Group, its shareholders and all stakeholders. Based on the above relevant measures, the Group continued to improve its audit and supervision, internal control and risk management models, thereby improving its capability in risk management and control and reasonably ensuring that potential risk is under control within an acceptable level. These measures have effectively safeguarded and promoted the sustainable and steady development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION LAYOUT

During the Review Period, the Group's revenue was approximately RMB9,747,406,000, representing an increase of approximately 34.4% as compared to approximately RMB7,252,100,000 in the same period in 2022, among which, the Group's revenue from China was approximately RMB4,690,390,000, representing an increase of approximately 20.4% as compared to approximately RMB3,894,711,000 in the same period in 2022, which was mainly attributable to the mass production and ramping-up of battery housing products, and the growth in Chinese OEM business. The international revenue of the Group was approximately RMB5,057,016,000, representing an increase of approximately 50.6% as compared to approximately RMB3,357,389,000 in the same period in 2022, which was primarily due to the strong growth in both battery housing products and traditional products business in the European and US markets, as well as the consistent ramping-up in the Group's factories located in Europe and North America.

During the Review Period, the Group continued to expand its new business steadily. While the NEV market has been thriving in China and Europe, the growth potential of the North American market has drew great attention. During the Review Period, the Group seized the opportunities from the North American market and secured new battery housing orders from Stellantis and Nissan successively, with continuous effort in cultivating the NEV business and expanding its global business presence. At the same time, the Group continued to achieve commercialised expansion in the processing technology of battery housing, and secured the first giga casting battery housing order for a plug-in hybrid electric vehicle ("PHEV") model. The Group has made steady progress in the business of body and chassis components and continued to increase its market share in structural parts of customers such as Volkswagen and VOLVO, and made breakthroughs in securing the first orders from BMW and Jaguar Land Rover for its structural parts business. In terms of intelligent exterior decorative parts business, the Group has also made good progress and achieved multiple breakthroughs: the Group's first order of illuminated bumper awarded by a well-known Chinese OEM customer; first illuminated grille order from BMW; first order of radomes with heating function from Mercedes-Benz. Meanwhile, as the Chinese OEMs continued to gain market share in China, the Group seized the opportunities timely by cultivating the Chinese OEM business continuously, and achieved remarkable results. In particular, the Group secured orders of traditional products for a number of key vehicle models from BYD, and also made a breakthrough in securing the first battery housing order in its procurement system. The Group continued to increase the business of body and chassis components for GEELY, and also tapped into full vehicle rubber sealing strip

MANAGEMENT DISCUSSION AND ANALYSIS

business with GAC, adding a further increment to the Group's growing business with GAC. A diversified product portfolio and an increasingly balanced customer mix will strongly support the long-term sustainable growth of the Group's results.

During the Review Period, the Group continued to make visionary plans for the production layout of its major plants, expanding and optimising production capacity at major plants worldwide based on local conditions to better meet the requirements of global customers in terms of product development and mass production, as well as to help the Group further enhance its overall operational efficiency. Meanwhile, given the global political, economic, and environmental factors, customer demand, and internal development of the Group, amongst others, the Group continued to enhance its "GLOCAL" (global + local) operation and management strategy. This was achieved by ensuring all of the best practices and competitive advantages in places the Group operates in were implemented. Also, by building "major hubs" in regions around the world and extending satellite factories around the hubs, the Group was able to achieve the parallel development of synergy in global production capacity and independent regional operations. During the Review Period, the Group further optimised its pace of asset investment, strengthened investment review mechanism, assessed and effectively utilised idle production capacity. On this basis, the Group had continued to seek improvements for its existing products and reasonably expanded production capacity, such as the adoption of the planning of the "United States + Mexico" North American manufacturing model, improvement in layout of anodising production lines in Europe and North America, implementation of plan for synergy in production capacities of plastic products in the US, Mexico and Thailand, and the launch of North American layout for battery housings. In contexts of the rapid growth in battery housings and innovative products businesses, the Group had initiated the construction of new workshops in China, Poland, Serbia, Mexico and Thailand. Furthermore, to ensure the full integration of the dispatched employees with local employees, the Group has taken various measures to enhance communication between employees with different nationalities. Managers at the Group's global operations are encouraged to have more frequent and direct exchanges with the Group's management on their experiences in factory management and the risks and opportunities of the Group's development at the Group's operation meetings. With its increasingly optimised global presence, the Group continued to achieve local excellence by utilising its global resources, which helped the Group meet the demands for proximal supplies from its worldwide customers, as well as further reinforced and consolidated the global competitiveness of its core products.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Review Period, China's passenger vehicle industry revealed an upward trend in terms of production, sales and export, with numerous OEMs competing vigorously for market share in arena of NEVs and export business. The Group adhered to the concept of "small in size, big in results" in its structural optimisation and business expansion, and continued to obtain business nominations from its customers through technological innovation and forward-looking global layout. The Group managed to supply products to NEV models of OEMs including, amongst others, NIO, XPeng, Li Auto, GEELY, BYD, Great Wall, GAC, SAIC Motor, Hozon, Volkswagen, General Motors, Leapmotor, Dongfeng Motor, FAW and BAIC. This, coupled with the increase in orders from Tesla and certain ICE vehicle models in the European and US markets, has ensured the steady growth of the Group's revenue and the continued enhancement of its operational efficiency. Meanwhile, the Group also implemented control measures by streamlining its processes and enhancing efficiency. The Group has commenced running of the full life cycle management system for assets, adopted digital means to automatically identify idle production capacity and assets thereby providing effective support for investment and production capacity management, as well as taken effective measures to give assurance in product development, manufacturing, quality and cost control, and as a result has gained high recognition from its customers.

RESEARCH AND DEVELOPMENT

R&D and innovation are important pillars to corporate development and the Group attaches great importance to R&D planning. Given the four disruptive trends in the global automotive industry, namely the electrification and intelligence trends which have already been given great impetus to, and the gradually rising trends of internet connectivity and shared mobility, the Group had swiftly and effectively responded to a series of ground-breaking innovations in the automotive and related industry to lay down the fundamental strategy of innovation-driven development, optimised the structure of R&D organisations, strengthened the self-initiated R&D and innovative research capability in respect of basic materials, products and technology, and continued to increase its investments in R&D. Through in-depth exchange with customers such as traditional OEMs, NEV start-ups and battery makers, the Group strived to firmly grasp the differences in product and technology requirements of various customers and the development trend; and through proactive self-innovation and cooperation with world-leading enterprises, to promote technical breakthrough of processing technology. The Group prospectively improved the R&D capability and management efficiency as a whole to further solidify

MANAGEMENT DISCUSSION AND ANALYSIS

its presence in core components for NEVs and promoted the integration of intelligent products and exterior decorative parts, thus consolidating its position as a core strategic partner to OEM customers.

The Group will continue to engage in innovative R&D and deployment, devote itself to the business development of products including battery housings, body and chassis components and intelligent exterior products, and contribute to the evolution of the automotive industry such as low carbon and intelligence. The Group has made tremendous progress in these fields, which lays a solid foundation for the Group's future sustainable development. During the Review Period, the Group continued to win nominations from premium traditional OEMs, NEV start-ups and battery makers, and has newly secured a giga casting battery housing project for the PHEV model of an American OEM, further consolidating the Group's leading position as one of the largest battery housing suppliers in the world. The Group paid close attention to the development trend of battery housing products and technology and conducted independent R&D to ensure its products and technology cater for market demands, while providing customers with better innovative solutions. The Group continued to carry out R&D and production of diversified battery housing solutions from different perspectives, such as structure, battery adaptability, application and materials. Meanwhile, based on its automotive battery housing products and technology, the Group has been actively exploring the business related to energy sector and has made breakthroughs in its self-developed energy storage battery housing. The Group has also been actively tapping into complementary parts of battery housing products and successfully developed products, such as front and rear crash management systems, subframes and die casting structural parts, and started to see order inflows, which would help the Group achieve integration of battery housings and chassis structure progressively, and at the same time promote the significant increase in the Group's content value per vehicle.

MANAGEMENT DISCUSSION AND ANALYSIS

As for intelligent exterior decorative products, the Group focused on the product R&D and expansion of intelligent front and rear modules and intelligent door systems to fully realise intelligent upgrade for exterior decorative products. The Group has carried out visionary R&D and planning for solutions of integrated intelligent front modules, which combine functions such as illumination, heating, wave transparency and automatic cleaning, and multiple industry-leading patents have already been authorised for those products and could be used for level 4 and above autonomous driving. The market penetration rate for several products has been increasing, including millimetre wave compatible radomes, LiDAR compatible radomes, intelligent illuminated grilles, etc. During the Review Period, the Group secured the order of intelligent illuminated bumper from a well-known Chinese OEM and mass production and delivery are expected to commence by the end of 2023. The Group has actively deployed in the field of intelligent door systems, including application scenarios such as intelligent access and automatic opening, and has started to see order inflows for its self-developed intelligent pillar cover with face recognition function, electric side door system and ultralight door. During the Review Period, the Group's first smart electric side door system kicked off mass production successfully.

Furthermore, the Group also attaches great importance to the technological R&D of new materials and has continuously increased its R&D investment in materials, mastering the technologies of three core materials, namely high-performance aluminium, high-elasticity TPV (Thermoplastic Vulcanizate) and modified plastics, as well as the related surface treatment technologies. In particular, the Group successfully developed the Minal-S632 aluminium alloy with 320MPa ultra-high yield strength and crushing property which has reached advanced level in the global market. The Group has over 50 core patents in terms of material formula and processing technology in relation to aluminium alloy, which have been widely applied in the battery housings and body and chassis structural parts of OEMs, such as BMW, Mercedes-Benz, Audi and Volkswagen, demonstrating the Group's comprehensive technological capability in both product and material as a leading market player in the Asia-Pacific region and even the world. Meanwhile, in response to the carbon neutrality target in various markets in the world, the Group developed its proprietary ECO-ALUMIN® S series of environment-friendly aluminium with recycled aluminium as raw material, with a carbon emission of less than 2.5KGCO₂e. In the meantime, the Group focused on R&D and innovation of polymer materials and completed the development of Eco OleCom® and Eco LonitBlend® series of environmentally friendly recycled materials, which have been certified by a number of OEMs for material technology and will be gradually applied to mass production orders in the future. The Group has also accelerated the R&D of bio-based materials and continued to develop green materials to facilitate the realisation of carbon neutrality.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group puts strong emphasis on the protection of intellectual property rights. It has initiated a comprehensive deployment in patents and trademarks for innovative products and has been granted numerous awards such as the “National Intellectual Property Advantage Enterprise” (國家知識產權優勢企業) and the “Excellence Award of National Invention Patent” (國家發明專利優秀獎). The Group also actively improved the patent development globally, and continued with the deployment in trademarks of corporate brands and new products. During the Review Period, 203 patent applications were newly filed by the Group, among which 30 applications were prioritized and related to high-value patents, and 4 applications were related to international patents. During the Review Period, the Group was granted 251 patents and 61 trademark registrations by authorised institutions, and actively conducted intellectual property rights protection work, with 26 patent protection analyses and 3 trademark customs filings.

FINANCIAL REVIEW

Results

During the Review Period, the Group’s revenue was approximately RMB9,747,406,000, representing an increase of approximately 34.4% from approximately RMB7,252,100,000 in the same period in 2022. During the Review Period, with the steady increase in the global sales of NEVs, the Group’s battery-housing business continued to grow rapidly. Meanwhile, the excellent performance in the sales of major vehicle models of the Group’s international customers, coupled with the continuous balance and optimisation of customer mix, enabled the Group to achieve considerable revenue growth.

During the Review Period, the profit attributable to owners of the Company was approximately RMB887,300,000, representing an increase of approximately 34.9% from approximately RMB657,601,000 in the same period in 2022. This was mainly due to the substantial increase in gross profit compared to the same period in 2022 which was attributable to the factors such as the economies of scale driven by the revenue growth of the Group during the Review Period, while the Group strictly managing and controlling labour costs and other expenses, which enabled the Group to maintain a better level of profitability in general.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVENUE

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

Segment category	Six months ended 30 June 2023		Six months ended 30 June 2022	
	RMB'000	%	RMB'000	%
Metal & Trim	2,512,333	25.8	2,547,561	35.1
Plastic	2,487,270	25.5	2,095,181	28.9
Aluminum	2,079,840	21.3	1,739,014	23.9
Battery-housing	1,802,427	18.5	497,817	6.9
Others	1,215,877	12.5	859,797	11.9
Elimination	(350,341)	(3.6)	(487,270)	(6.7)
Total revenue	9,747,406	100.0	7,252,100	100.0

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

Market category	Six months ended 30 June 2023		Six months ended 30 June 2022	
	RMB'000	%	RMB'000	%
The People's Republic of China	4,690,390	48.1	3,894,711	53.7
Other countries	5,057,016	51.9	3,357,389	46.3
Total revenue	9,747,406	100.0	7,252,100	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

During the Review Period, the Group's gross profit was approximately RMB2,562,733,000, representing an increase of approximately 21.2% from approximately RMB2,113,732,000 in the same period in 2022. The gross profit margin for the Review Period was approximately 26.3%, representing a decrease of approximately 2.8 percentage points from approximately 29.1% in the same period in 2022. Despite that the Group benefited from improved economies of scale driven by revenue growth during the Review Period, a decrease of overall gross profit margin was still recorded mainly due to the visible changes in product mix subsequent to the mass production of new businesses such as battery-housing and body and chassis components, as well as the increasing percentage of revenue from certain international subsidiaries during their ramp-up period. In this regard, the Group proactively promoted supply chain integration and constantly adopted measures such as lean production and technology upgrade to continuously improve production efficiency and production yield, so as to partially offset the decrease in overall gross profit margin.

Investment Income

During the Review Period, investment income of the Group was approximately RMB171,409,000, representing an increase of approximately RMB18,535,000 from approximately RMB152,874,000 in the same period in 2022. It was mainly due to an increase in the interest income of the Group.

Other Income

During the Review Period, the other income of the Group amounted to approximately RMB148,007,000, representing a decrease of approximately RMB8,216,000 from approximately RMB156,223,000 in the same period in 2022. It was mainly attributable to a decrease in the income from certain services.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Gains and Losses

During the Review Period, the Group's other gains and losses amounted to a net gain of approximately RMB2,990,000, representing a decrease of approximately RMB17,459,000 as compared to a net gain of approximately RMB20,449,000 in the same period in 2022. It was mainly due to the effect of changes in the fair value of forward foreign exchange.

Distribution and Selling Expenses

During the Review Period, the Group's distribution and selling expenses were approximately RMB359,883,000, representing a decrease of approximately RMB90,044,000 from approximately RMB449,927,000 in the same period in 2022. It accounted for approximately 3.7% of the Group's revenue, representing a decrease of approximately 2.5% from approximately 6.2% in the same period in 2022. It was mainly due to a significant decrease in transportation expenses contributed by the changes in the external shipping market and the Group's effective control strategies, combined with the increase in the Group's revenue resulting in a decrease in the distribution and selling expenses as a percentage to the revenue during the Review Period.

Administrative Expenses

During the Review Period, the administrative expenses of the Group amounted to approximately RMB623,068,000, representing an increase of approximately RMB71,758,000 from approximately RMB551,310,000 in the same period in 2022. It accounted for approximately 6.4% of the Group's revenue, representing a decrease of approximately 1.2% from approximately 7.6% in the same period in 2022. This was mainly due to the Group's increase in revenue as well as the strict control on relevant expenses such as labour costs, resulting in a decrease in the administrative expenses as a percentage to the revenue during the Review Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Research Expenditures

During the Review Period, the research expenditures of the Group amounted to approximately RMB615,618,000, representing an increase of approximately RMB108,334,000 from approximately RMB507,284,000 in the same period in 2022. It accounted for approximately 6.3% of the Group's revenue, representing a decrease of approximately 0.7% from approximately 7.0% in the same period in 2022. It was mainly because the Group prospectively continued to step up effort in the R&D of innovative products including battery-housing, body and chassis components and intelligent exterior decorative parts during the Review Period due to the increasing customisation demands of OEM customers and consumers with the continuous promotion of the four disruptive trends in the automotive industry, while introducing senior R&D talents and strengthening technological breakthrough with a view to promoting long-term sustainable growth of the Group's performance with innovative R&D. In addition, the significant growth in the Group's revenue has resulted in a decrease in the research expenditures as a percentage to the revenue during the Review Period.

Share of Results of Joint Ventures

During the Review Period, the Group's share of results of joint ventures was a net profit of approximately RMB11,322,000, representing a decrease of approximately RMB3,254,000 from a net profit of approximately RMB14,576,000 in the same period in 2022, which was mainly attributable to the decrease in profits of one of the joint ventures during the Review Period.

Share of Results of Associates

During the Review Period, the Group's share of results of associates was a net loss of approximately RMB9,921,000, representing a decrease of approximately RMB721,000 from a net loss of approximately RMB9,200,000 in the same period in 2022, which remained at similar level.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

During the Review Period, the Group's income tax expense was approximately RMB158,756,000, representing an increase of approximately RMB40,198,000 from approximately RMB118,558,000 in the same period in 2022.

During the Review Period, the effective tax rate was approximately 15.0%, which remained at similar level when compared to approximately 14.9% in the same period in 2022.

Profits Attributable to Non-controlling Interests

During the Review Period, the Group's profits attributable to non-controlling interests were approximately RMB10,171,000, representing a decrease of approximately RMB10,381,000 from approximately RMB20,552,000 in the same period in 2022. It was mainly attributable to the decrease in net profit of non-wholly owned subsidiaries during the Review Period.

Liquidity and Financial Resources

As of 30 June 2023, the Group's total amount of bank balances and cash and pledged bank deposits was approximately RMB5,477,762,000, representing an increase of approximately RMB202,108,000 from approximately RMB5,275,654,000 as of 31 December 2022. As of 30 June 2023, the Group's low-cost borrowings in aggregate amounted to approximately RMB9,549,548,000, among which the equivalent of approximately RMB4,902,096,000, approximately RMB3,244,595,000, approximately RMB877,934,000, approximately RMB293,158,000, approximately RMB223,536,000, approximately RMB8,229,000 were denominated in Euro ("EUR"), RMB, US Dollar ("USD"), New Taiwan Dollar ("NTD"), Thai Baht("THB"), Great Britain Pound respectively, representing an increase of approximately RMB1,351,352,000 as compared to approximately RMB8,198,196,000 as of 31 December 2022. It was mainly attributable to borrowings made by the Group considering the consolidated gains from exchange rates, interest rates and capital management.

During the Review Period, the net cash flow from the Group's operating activities was approximately RMB1,597,158,000, indicating a sound cash flow condition.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Review Period, the Group's trade receivables turnover days were approximately 81 days, which were approximately 4 days longer than approximately 77 days in the same period in 2022. This was mainly due to the changes in customer mix as a result of the Group's product expansion during the Review Period, which resulted in the fluctuation of the Group's trade receivables turnover days.

During the Review Period, the Group's trade payables turnover days were approximately 84 days, increased by approximately 3 days from approximately 81 days in the same period in 2022, which was mainly due to the extended payment cycles upon active negotiations with suppliers based on the Group's growth in scale.

During the Review Period, the Group's inventory turnover days were approximately 90 days, decreased by approximately 23 days from approximately 113 days in the same period in 2022, which was mainly due to the shortening of shipping cycle due to recovery from COVID-19 pandemic during the Review Period; in addition, the Group strengthened the synergistic management of the supply chain under the global layout with effective enhancement in the standard and efficiency of inventory management, the combining effects of which resulted in a significant decrease in the inventory turnover days.

The Group's current ratio was approximately 1.2 as of 30 June 2023, which remained at the similar level as that of approximately 1.2 as of 31 December 2022. As of 30 June 2023, the Group's gearing ratio was approximately 28.6% (31 December 2022: approximately 27.5%), which was a percentage based on interest-bearing borrowings divided by total assets.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENTS

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (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	916,485	576,165

INTEREST RATE AND FOREIGN EXCHANGE RISKS

As of 30 June 2023, the balance of the Group's bank borrowings was approximately RMB9,549,548,000, of which approximately RMB2,541,595,000 was bearing at fixed interest rates, and approximately RMB7,007,953,000 was bearing at floating interest rates. The aforesaid borrowings had no seasonality features. In addition, approximately RMB5,780,030,000 of the borrowings was denominated in currencies other than the functional currencies of the Group's related entities, of which the equivalents of approximately RMB4,902,096,000 and approximately RMB877,934,000 were denominated in EUR and USD respectively.

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

As of 30 June 2023, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB1,356,805,000, of which approximately RMB1,067,604,000 was denominated in USD, approximately RMB146,401,000 was denominated in EUR, approximately RMB116,790,000 was denominated in Japanese Yen, approximately RMB14,054,000 was denominated in Mexico Peso, approximately RMB11,917,000 was denominated in Hong Kong Dollar, and the remainder of approximately RMB39,000 was denominated in other foreign currencies.

MANAGEMENT DISCUSSION AND ANALYSIS

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

CONTINGENT LIABILITIES

As of 30 June 2023, the Group had no contingent liabilities (31 December 2022: Nil).

MORTGAGED ASSETS

As of 30 June 2023, the Group had borrowings of NTD60,000,000 (equivalent to approximately RMB13,998,000) and approximately RMB13,217,000, which were mortgaged by land use rights and plants with carrying values of approximately NTD49,604,000 (equivalent to approximately RMB11,573,000) and approximately RMB13,519,000, respectively.

As of 30 June 2023, the Group had borrowings of RMB359,000,000 and issued bills payables of approximately RMB590,600,000 due within 6 months, which were pledged by bills receivables with par value of approximately RMB307,659,000 and bank deposits of USD42,230,000 (equivalent to approximately RMB305,146,000) and RMB900,000,000, respectively. The borrowings are to be settled in RMB (31 December 2022: the Group had borrowings of approximately RMB798,971,000 and issued bills payables of approximately RMB290,403,000 due within 6 months, which were pledged by bills receivables with par value of approximately RMB192,478,000 and bank deposits of RMB900,000,000. The borrowings are to be settled in RMB).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE

Capital expenditure includes the acquisition of property, plant and equipment, the increase in construction in progress and the addition of land use rights. During the Review Period, the Group's capital expenditure amounted to approximately RMB2,013,896,000 (the same period in 2022: approximately RMB1,703,306,000), which was attributable to the Group's further expansion of its R&D on innovative products and relevant technologies such as battery-housing, body and chassis components and intelligent exterior decorative parts, together with its product capacity layout in international markets during the Review Period. At the same time, the Group continued to exercise prudent control over capital expenditure in line with its asset-light strategy and exercised stringent control over the investments in fixed assets for its traditional product lines.

PLACING AND SUBSCRIPTION

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

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

OTHER MATTER

The Company's subsidiary Minth Mexico Coatings, S.A. de C.V. ("Minth Mexico") received a notice of initiation of investigation dated 30 May 2023 from the Customs and Border Protection of the United States of America in relation to the alleged evasion of anti-dumping duty and countervailing duty by transshipment of Chinese-origin aluminum automotive parts through Mexico (the "Investigations"). Minth Mexico is taking appropriate measures and seeking legal advice in response to such investigations. Minth Mexico will continue to monitor the progress of the Investigations.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As of 30 June 2023, the Group had a total of 20,929 employees, down by 402 employees when compared to that of 31 December 2022. Against the backdrop of revenue growth of the Group during the Review Period, the Group still managed to deliver a decrease in its headcount, which was primarily attributable to the ongoing digital transformation, optimisation of its organisational structure and efficiency improvement of its global manpower.

During the Review Period, adhering to the core culture of “Love — Demanding and Caring” as always, the Group strengthened the implementation of and practices on its core values and code of conduct, fostered the creation of a pluralistic, egalitarian and inclusive corporate culture, whilst continued raising and strengthening the level of awareness of overall wellness among all employees of the Group. The Group continued to promote, on a global basis, the overall wellness through programmes such as “Parent Enlightening Course”, “Love Tour Plan”, courses on health and well-being, and empower employees in a one-to-one caring manner to promote holistic health. Additionally, the Group has further introduced programmes including “Nursery Care Service” for employees’ children and “Senior’s Centre” for their parents, to continuously empower overall wellness of its employees’ families and promote their sense of contentment in family. Looking ahead to the second half of this year, the Group will further cultivate its cultural governance globally, to implement global cultural integration projects and launch a summer camp for employees’ young children, as well as to introduce “HOMESTAY” and other overall wellness courses and programmes globally, with a view to further enhancing global integration.

During the Review Period, the Group enhanced its global operation and management capabilities and strengthened the agility and effectiveness of its global organisation to achieve an efficient and synergistic global organisational layout. The Group reinforced the organisational capacity of its Shared Service Centres in North America and Serbia, and expanded their scope of responsibilities to support the operation and development of local businesses more efficiently. In addition, the Group optimised its matrix management model by modifying the design of business processes and clearly defining delineation of authority to create further synergy of the respective organisations. Looking ahead, for the second half of this year and driven by the principle of global governance and management, the Group will further iterate its global organisation governance policy to achieve more

MANAGEMENT DISCUSSION AND ANALYSIS

efficient synergies in Europe, so as to realise integration and sharing of resources, whilst continue to enhance process-based organisational efficiency to strive for achieving a global organisational layout and enable sustainable development of the Group's global operations.

During the Review Period, under the guidance of the GLOCAL principle, the Group continued to carry out the talent cultivation work, such as strengthening global operation mindset of its talent reserves, enhancing globalisation capabilities and iteration of digital awareness and capabilities. To this end, the following steps have been taken: (1) continuously strengthening the global operation mindset of the key personnel and managers and continuously optimising the organisational and talents' competitiveness; (2) development and cultivation of learning resources globally, establishing a multi-language learning system and building up a diverse team of instructors to cement a solid foundation for rapid development of international talents; (3) initiating development projects for managers and highly-talented individuals globally, organising global talent exchange summits, lining up internal and external resources within the industry to extensively upgrade cross-cultural leadership of managers and promote development of team echelons; (4) shoring up the mechanism of international talent management from talent planning, acquisition, cultivation, circulation, development to incentivisation, forming a closed loop of international talent management and accelerating the establishment of the Group's international talent pool; and (5) in-depth promotion and development of digital tools/platforms/systems and training, thereby creating an atmosphere of digitalisation within the organisation with a view to achieving efficient operation of business processes and promoting the maximisation of effectiveness of the Group's personnel. Going forward, for the second half of this year, the Group will reinforce its effort in global talent management, promote the upgrading and sharing of global talent management systems and resources, enhance the global management capabilities of the Group's management team and expand further the global management trainee programme with a view to realising a healthy circulation of global talents and sharing of resources, and strengthening the Group's sustainable supply of global talents.

During the Review Period, the Group launched a new project of global personnel master data and payroll system. For the second half of this year, the Group will continue to promote the management of the integrated platform of global master data and visualised data analysis platform.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS

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

Executive Directors

Wei Ching Lien (*Chairperson and Chief Executive Officer*)

Ye Guo Qiang

Zhang Yuxia (*appointed on 31 May 2023*)

Non-executive Director

Chin Chien Ya (*re-designated on 31 May 2023*)

Independent Non-executive Directors

Wang Ching

Chen Quan Shi

Mok Kwai Pui Bill (*appointed on 31 May 2023*)

Tatsunobu Sako (*appointed on 31 May 2023*)

Wu Tak Lung (*retired on 31 May 2023*)

SHARE OPTION SCHEMES

The 2005 Share Option Scheme was adopted by the Company for a period of 10 years pursuant to a written resolution of all the then shareholders of the Company on 13 November 2005. Such scheme was terminated on 22 May 2012 and the 2012 Share Option Scheme with substantively similar terms to the 2005 Share Option Scheme was adopted on the same day at the 2012 annual general meeting of the Company for 10 years. The 2012 Share Option Scheme had expired on 22 May 2022. On the date of the 2022 annual general meeting of the Company, i.e. 31 May 2022, the Company adopted the 2022 Share Option Scheme for a term of 10 years with salient terms similar to those of the 2012 Share Option Scheme.

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The purpose of the 2022 Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. All Directors, employees of the Group and service providers of the Group whom the Board considers, in its sole discretion, have contributed or will contribute to the Group are eligible to participate in the 2022 Share Option Scheme.

The 2022 Share Option Scheme will remain in force for a period of 10 years after the date on which the scheme was adopted. The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the 2022 Share Option Scheme adopted by the Group must not in aggregate exceed 10% ("General Scheme Limit") of the Shares of the Company in issue on 31 May 2022, the date when the Company adopted the 2022 Share Option Scheme, which were 116,183,579 Shares. The Company may renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares of the Company in issue as at the date of the shareholders' approval.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2022 Share Option Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the Shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted under the 2022 Share Option Scheme and any other share option schemes of the Company (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("Individual Limit").

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

An option may be exercised in accordance with the terms of the 2022 Share Option Scheme at any time during the period to be determined and notified by the Board to each grantee, at the time of making an offer of the grant of an option which shall not expire later than 10 years from the date of grant of the option.

MANAGEMENT DISCUSSION AND ANALYSIS

The subscription price for the Shares under the 2022 Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

As at the date of this interim report, the total number of unexercised outstanding Share Options (i.e. the total number of Shares available for issue) under the 2012 Share Option Scheme is 36,218,000 which represents approximately 3.12% of the issued Shares as at the date of this interim report.

The total number of Shares available for issue under the 2022 Share Option Scheme is nil as at the date of this interim report.

The total number of Share Options available for grant under the scheme mandate of the 2022 Share Option Scheme as at 1 January 2023 and 30 June 2023 were 116,183,579 and 116,183,579 respectively.

As at the date of this interim report, the number of Share Options that could still be granted under the 2022 Share Option Scheme was 116,183,579, representing approximately 10.00% of the 1,161,993,599 Shares in issue as at 22 August 2023, being the date of this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

Details are as follows:

Number of Share Options (Note 1)										
Name and category of participants	Outstanding	Granted	Exercised	Cancelled	Lapsed	Outstanding	Date of grant	Exercise period	Exercise price of the Share Options (HKD) (Note 8)	Weighted average closing price of Shares immediately before the date(s) on which Share Options were exercised (HKD) (Note 8)
	as at 1 January 2023	during the Review Period	during the Review Period	during the Review Period	during the Review Period	as at 30 June 2023				
Directors, chief executives, and substantial Shareholders and their respective connected persons										
Ms. Chin Chien Ya (Note 2)	100,000	-	-	-	-	100,000	10-4-2018	1-4-2019 to 31-12-2023	37.60	N/A
	150,000	-	-	-	-	150,000	28-7-2020	1-7-2021 to 31-12-2025	23.85	N/A
Dr. Wang Ching	100,000	-	-	-	-	100,000	10-4-2018	1-4-2019 to 31-12-2023	37.60	N/A
	100,000	-	-	-	-	100,000	28-7-2020	1-7-2021 to 31-12-2025	23.85	N/A
Mr. Wu Tak Lung (Note 3)	100,000	-	-	-	-	100,000	28-7-2020	1-7-2021 to 31-12-2025	23.85	N/A
Mr. Ye Guo Qiang	110,000	-	-	-	-	110,000	10-4-2018	1-4-2019 to 31-12-2023	37.60	N/A
	250,000	-	-	-	-	250,000	28-7-2020	1-7-2021 to 31-12-2025	23.85	N/A
Ms. Zhang Yuxia (Note 4)	400,000	-	-	-	-	400,000	28-7-2020	1-7-2021 to 31-12-2025	23.85	N/A
Mr. Chen Bin Bo (Note 5)	1,000,000	-	-	-	-	1,000,000	28-7-2020	1-7-2021 to 31-12-2025	23.85	N/A
Subtotal	2,310,000	-	-	-	-	2,310,000				
Other participants (Note 9)										
Employee participants (in aggregate)	15,177,500	-	-	-	369,000	14,808,500	10-4-2018	1-4-2019 to 31-12-2023	37.60	N/A
	19,355,900	-	2,000	-	633,200	18,720,700	28-7-2020	1-7-2021 to 31-12-2025	23.85	24.15
Related entity participants (in aggregate)	100,000	-	-	-	-	100,000	10-4-2018	1-4-2019 to 31-12-2023	37.60	N/A
Service providers (in aggregate)	930,000	-	-	-	100,000	830,000	10-4-2018	1-4-2019 to 31-12-2023	37.60	N/A
	630,000	-	-	-	100,000	530,000	28-7-2020	1-7-2021 to 31-12-2025	23.85	N/A
Subtotal	36,193,400	-	2,000	-	1,202,200	34,989,200				
Total	38,503,400	-	2,000	-	1,202,200	37,299,200				

MANAGEMENT DISCUSSION AND ANALYSIS

- Note 1: Numbers of Shares over which options granted under the 2012 Share Option Scheme are exercisable. No Share Options have been granted under the 2022 Share Option Scheme.
- Note 2: Ms. Chin Chien Ya (“Ms. Chin”) is the daughter of Ms. Wei Ching Lien (“Ms. Wei”, an executive Director and Chairperson of the Company), and was re-designated as a non-executive Director of the Company on 31 May 2023.
- Note 3: Mr. Wu Tak Lung (“Mr. Wu”) retired as an independent non-executive Director of the Company on 31 May 2023.
- Note 4: Ms. Zhang Yuxia (“Ms. Zhang”) was appointed as an executive Director of the Company on 31 May 2023.
- Note 5: Mr. Chen Bin Bo retired as an executive Director of the Company on 31 May 2022, and remained as a consultant to the Group subsequent to the retirement.
- Note 6: The closing price of the Shares immediately before the date on which the Share Options were granted pursuant to the 2012 Share Option Scheme on (i) 10 April 2018, i.e. on 9 April 2018 was HKD37.65, and (ii) 28 July 2020, i.e. on 27 July 2020 was HKD22.40.
- Note 7: The option period for the Share Options granted on 10 April 2018 is for five years eight months and twenty-one days and the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 1 April 2019; (ii) up to a further 30% of the Share Options granted on or after 1 April 2020; and (iii) all of the remaining Share Options granted on or after 1 April 2021. The option period for the Share Options granted on 28 July 2020 is for five years five months and three days and the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 1 July 2021; (ii) up to a further 30% of the Share Options granted on or after 1 July 2022; and (iii) all of the remaining Share Options granted on or after 1 July 2023.
- Note 8: The exercise price of the Share Options is subject to adjustment in the case of rights or bonus issues, or other similar changes.
- Note 9: There are no (i) participant with Share Options granted and to be granted in excess of the 1% individual limit, and (ii) related entity participant or service provider with Share Options granted and to be granted in any 12-month period exceeding 0.1% of the Shares in issue.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Review Period, the Grantees of the Share Option Schemes exercised 2,000 Share Options in accordance with the rules and terms of the 2012 Share Option Scheme, and 1,202,200 Share Options lapsed as a result of the resignations of grantees.

The fair values of the granted Share Options are listed as follows:

Share option type	Date of grant	Tranche	Exercise period	Exercise price (HKD)	Fair value at the date of grant (HKD)
2018 (Note)	10-4-2018	A	1-4-2019 to 31-12-2023	37.60	9.25
	10-4-2018	B	1-4-2020 to 31-12-2023	37.60	9.61
	10-4-2018	C	1-4-2021 to 31-12-2023	37.60	9.80
	10-4-2018	E	1-4-2019 to 31-12-2023	37.60	9.25
	10-4-2018	F	1-4-2020 to 31-12-2023	37.60	9.61
	10-4-2018	G	1-4-2021 to 31-12-2023	37.60	9.80
2020 (Note)	28-7-2020	A	1-7-2021 to 31-12-2025	23.85	6.29
	28-7-2020	B	1-7-2022 to 31-12-2025	23.85	6.59
	28-7-2020	C	1-7-2023 to 31-12-2025	23.85	6.74
	28-7-2020	E	1-7-2021 to 31-12-2025	23.85	6.32
	28-7-2020	F	1-7-2022 to 31-12-2025	23.85	6.61
	28-7-2020	G	1-7-2023 to 31-12-2025	23.85	6.75

Note: For the share options granted in 2018 and 2020, the tranche A, B and C are granted to Directors, while the tranche E, F and G are granted to participants who are not Directors.

Apart from the Share Option Schemes as disclosed above, no Share Option was granted, exercised, cancelled or lapsed during the Review Period. Particulars of the Company's Share Option Schemes are set out in note 21 to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE AWARD SCHEME

On 28 July 2020, the Company adopted a share award scheme (the “Share Award Scheme”) to allow share awards at the absolute discretion of the Board. The purposes of the Scheme are to recognise the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. Selected participants pursuant to the terms of the Share Award Scheme will be notified the number of shares awarded to them.

The total number of Awarded Shares available for grant under the scheme mandate of the Share Award Scheme as at 1 January 2023 and 30 June 2023 were 113,618,579 and 113,710,779 respectively.

The total number of Shares that may be issued in respect of Share Options and Awarded Shares granted under all schemes of the Company during the Review Period divided by the weighted average number of Shares in issue for the Review Period was approximately 3.21%.

SUMMARY OF THE SCHEME RULES

(1) Purposes and Objectives

The purposes of the Scheme are to recognise the contributions by certain Eligible Participants and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

(2) Eligible Participants for the Scheme

The Board may, from time to time, at its absolute discretion select any Eligible Participant (other than any Excluded Participant) for participation in the Scheme as a Selected Participant. Participation in the Scheme is limited to Selected Participants only. The entitlement to the Awarded Shares and/or the Related Income shall be designated by the Board at its absolute discretion.

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Duration

Subject to any early termination as may be determined by the Board, the Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

(4) Administration

The Scheme shall be subject to the administration of the Board and the Trustee in accordance with the Scheme Rules and the Trust Deed (as the case may be). The Trustee shall hold the Shares and the income derived from the Trust Fund in accordance with the Scheme Rules and the terms of the Trust Deed.

(5) Scheme Limit

The Board shall not make any further award of Awarded Shares which will result in the aggregate number of Shares awarded by the Board under the Scheme exceeding ten per cent. of the issued share capital of the Company from time to time. Further, the maximum number of Shares which may be awarded to a Selected Participant under the Scheme shall not exceed one per cent. of the issued share capital of the Company from time to time.

(6) Operation

Pursuant to the Scheme Rules, the Company may from time to time,

- (i) issue new Awarded Shares under the general mandate granted and/or renewed by the Shareholders at the annual general meeting of the Company and/or under specific authority granted by its Shareholders to the Trustee to be held on trust for the relevant Selected Participant; or

MANAGEMENT DISCUSSION AND ANALYSIS

- (ii) the Board may select the Selected Participant(s) and determine the Reference Amount for the purchase of the issued Shares for each of them, or otherwise determine from time to time a Reference Amount for the purchase of Shares, and notify the Trustee of its decision. Within such period as may be determined by the Board after receiving the Reference Amount, the Trustee shall apply the same towards the purchase (or subscription, as the case may be) of the maximum number of board lots of Shares at a price which falls within a range to be set by the Board. The Shares so purchased, the Related Income and any balance of the Reference Amount after completion of the purchase shall form part of the Trust Fund.

The Board may, at its discretion and from time to time, determine a Reference Amount in respect of which the Trustee shall purchase Awarded Shares from the market even though no Eligible Participants has yet been designated a Selected Participant, as a reserve for future awards to Selected Participants. The Board shall then cause such Reference Amount to be paid to the Trustee for acquisition of Shares for the purpose of the Awarded Shares under the Scheme on such terms and conditions as may be determined by the Board.

(7) Restrictions

No Award shall be made by the Board and no new Awarded Shares shall be issued under the Scheme and no instructions to acquire Shares shall be given to the Trustee under the Scheme where any director is in possession of unpublished price-sensitive information in relation to the Group or where dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

(8) Grant and Vesting

The Company shall notify each Selected Participant of the number of Awarded Shares granted to each Selected Participant by a Grant Notice which shall set out the respective entitlement of each Selected Participant and specify the additional conditions pursuant to which the Awarded Shares and/or the Related Income shall vest in each respective Selected Participant. The Trustee shall not hold any income of the Trust Fund upon trust for the Selected Participant, who are not entitled to any income or rights attached to or derived from the Awarded Shares (inclusive of any nil-paid rights, options or warrants derived from the Awarded Shares apart from the Related Income) from the date of the grant of the Award until the vesting of the Awarded Shares in the Selected Participant.

MANAGEMENT DISCUSSION AND ANALYSIS

Subject to the Scheme Rules and the fulfilment of all vesting conditions as specified in the Grant Notice (such fulfilment shall be confirmed by the Board), the respective Awarded Shares and the Related Income held by the Trustee on behalf of a Selected Participant shall vest in such Selected Participant, and the Trustee shall cause such vested Awarded Shares and the Related Income to be transferred to, or to the order of, such Selected Participant in accordance with the procedure specified in the Scheme Rules.

Except in the circumstances as set out under (9) below, upon the vesting of the Awarded Shares, barring any unforeseen circumstances, unless otherwise agreed between the Board and the Trustee,

- (i) the Board shall send to the relevant Selected Participant a Vesting Notice and for purchase of Awarded Shares, together with such prescribed reply slip which require the Selected Participant to execute to effect the vesting and transfer of the Awarded Shares and the Related Income and,
- (ii) subject to the receipt by the Trustee of (a) the reply slip prescribed in the Vesting Notice and duly signed by the Selected Participant within the period stipulated in the Vesting Notice, and (b) a confirmation from the Company that all vesting conditions having been fulfilled, the Trustee shall transfer the relevant Awarded Shares (and where applicable, together with the Related Income) to the relevant Selected Participant as soon as practicable after the Vesting Date and in any event not later than such period after the Vesting Date as may be reasonably determined by the Board. The final decision in relation to such transfer shall be subject to the absolute discretion of the Board.

Prior to the Vesting Date, any Award made hereunder shall be personal to the Selected Participant to whom it is made and shall not be assignable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the Awarded Shares and the Related Income referable to him pursuant to such Award.

MANAGEMENT DISCUSSION AND ANALYSIS

(9) Disqualification of Selected Participants/Lapse of Award

In the event of a Total Lapse, all Awarded Shares and the Related Income which have not vested shall not vest on the relevant Vesting Date and shall become Returned Shares and the income of the Trust.

In the event of a Partial Lapse, subject to the absolute discretion of the Board, the relevant part of an Award made to such Selected Participant shall automatically lapse forthwith and the relevant Awarded Shares and the Related Income which have not vested shall not vest on the relevant Vesting Date but shall become Returned Shares and income of the Trust.

In respect of a Selected Participant who retired, resigned or whose employment/engagement was terminated by agreement with a member of the Group at any time prior to or on the Vesting Date, all the Awarded Shares and the Related Income of the relevant Selected Participant shall immediately lapse. All the Awarded Shares and the Related Income of the relevant Selected Participant shall become Returned Shares and income of the Trust.

In the event of the death of a Selected Participant at any time, the award of the Awarded Shares and the Related Income shall immediately lapse and all the Awarded Shares (or Reference Amount, as the case may be) and the Related Income of the relevant Selected Participant shall become Returned Shares and income of the Trust.

If there occurs an event of change in control of the Company, whether by way of offer, merger, scheme of arrangement or otherwise, all the Awarded Shares and the Related Income shall immediately vest on the date when such change of control event becomes or is declared unconditional and such date shall be deemed to be the Vesting Date. Subject to the receipt by the Trustee of duly executed reply slip to the Vesting Notice within 7 Business Days from the deemed Vesting Date, the Trustee shall transfer the Awarded Shares and the Related Income to the Selected Participant.

The Trustee shall hold the Returned Shares exclusively for the benefit of all or one or more of the Eligible Participants (excluding any Excluded Participant). The Board shall in its absolute discretion have the right to determine whether a proposed awardee is a Selected Participant at the time of award. When Returned Shares have been awarded, the Board shall notify the Trustee accordingly.

(10) Voting Rights

The Trustee shall not exercise the voting rights in respect of any Shares held by it as nominee or under the Trust (if any) (including but not limited to the Awarded Shares, the Returned Shares, any bonus Shares and scrip Shares derived therefrom).

(11) Termination

- (i) The Scheme shall terminate on the earlier of:
 - (a) on the 10th anniversary date of the Adoption Date; and
 - (b) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any Selected Participant.
- (ii) Upon termination of the Scheme,
 - (a) no further grant of Awarded Shares and the Related Income may be made under the Scheme, these rules of the Scheme shall remain in full force and effect in respect only of Awards which have been granted during the term of the Scheme and which remain unvested or which have vested but not yet been issued to a Selected Participant immediately prior to the termination of the Scheme;
 - (b) all the Awarded Shares and the Related Income of the Selected Participants granted under the Scheme shall become vested on the Selected Participants so referable on such date of termination save in respect of the Total Lapse or otherwise, subject to the receipt by the Trustee of the reply slip to the Vesting Notice prescribed by the Trustee and duly executed by the Selected Participant within the period stipulated by the Trustee;
 - (c) Returned Shares and such non-cash income remaining in the Trust Fund shall be sold by the Trustee, within such period after receiving notice of such termination of the Scheme as may be determined by the Board; and
 - (d) the Residual Cash for the Selected Participants, net proceeds of sale referred to in paragraph (ii)(b) above and such other funds remaining in the Trust Fund (after making appropriate deductions in respect of all disposal costs, liabilities and expenses) shall be remitted to the Company forthwith.

MANAGEMENT DISCUSSION AND ANALYSIS

(12) Alteration

The Scheme may be altered in any respect by a resolution of the Board provided that no such amendment shall operate to affect adversely any subsisting rights of any Selected Participant.

Details of the movement of the Awarded Shares during the Review Period and during the financial year ended 31 December 2022 are set out in the tables as follows:

Name and category of participants	Number of Awarded Shares						Outstanding as at 30 June 2023	Date of grant (Note 1)	Vesting period (Note 2)	Fair value of Awarded Shares at the date of grant (HK\$)	Weighted average closing price of Shares immediately before the date(s) on which Awarded Shares were vested (HK\$)	Grant price of the Awarded Shares (HK\$)
	Outstanding as at 1 January 2023	Granted during the Review Period	Vested during the Review Period	Cancelled during the Review Period	Lapsed during the Review Period	Outstanding as at 30 June 2023						
Directors, chief executives, and substantial Shareholders and their respective connected persons												
N/A	-	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Participants with Awarded Shares in excess of 1% individual limit												
N/A	-	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Related entity participants or service providers with Awarded Shares granted during the Review Period exceeding 0.1% of the total issued Shares												
N/A	-	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Other employee participants (in aggregate)	2,565,000	-	-	-	92,000	2,473,000	29-3-2021	29-3-2024 to 29-3-2025	31.25	N/A	0	
Other related entity participants (in aggregate)	-	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A	
Other service providers (in aggregate)	-	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A	
Other participants	-	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A	
Total	2,565,000	-	-	-	92,000	2,473,000						

MANAGEMENT DISCUSSION AND ANALYSIS

Name and category of participants	Number of Awarded Shares						Date of grant (Note 1)	Vesting period (Note 2)	Fair value of Awarded Shares at the date of grant (HKD)	Weighted average closing price of Shares immediately before the date(s) on which Awarded Shares were vested (HKD)	Grant price of the Awarded Shares (HKD)
	Outstanding as at 1 January 2022	Granted during the year	Vested during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2022					
Directors, chief executives, and substantial Shareholders and their respective connected persons											
N/A	-	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Participants with Awarded Shares in excess of 1% individual limit											
N/A	-	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Related entity participants or service providers with Awarded Shares granted during the year exceeding 0.1% of the total issued Shares											
N/A	-	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Other employee participants (in aggregate)	2,856,000	-	-	-	291,000	2,565,000	29-3-2021	29-3-2024 to 29-3-2025	31.25	N/A	0
Other related entity participants (in aggregate)											
N/A	-	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Other service providers (in aggregate)											
N/A	-	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Other participants											
N/A	-	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Total	2,856,000	-	-	-	291,000	2,565,000					

Note 1: The closing price of the Shares immediately before the date on which the Awarded Shares were granted on 29 March 2021, i.e. on 26 March 2021 was HKD31.05.

Note 2: The Awarded Shares granted will vest over a four-year period, with each 50% of the Awarded Shares vesting on the third and fourth anniversary of the date of grant, respectively.

For more details of the Share Award Scheme, please refer to note 21 to the condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Review Period, there were no contributions forfeited by the Group on behalf its employees who leave the plan prior to vesting fully in such contribution, nor had there been any utilization of such forfeited contributions to reduce future contributions. As at 30 June 2023, no forfeited contributions were available for utilization by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Listing Rules.

FUTURE PROSPECTS AND STRATEGIES

During the Review Period, China's automobile market declined in the first quarter due to the shift in promotional policies launched in the previous year and market price fluctuations. However, the market demand and industry sentiment gradually improved in the second quarter due to the combined effects of the promotional policies promulgated at the state level and by respective local governments and end-of-quarter pushing for sales by OEMs, leading to a favourable growth of the sales of automobiles in China in the Review Period, in particular when compared to the relatively low base sales of April and May 2022. Driven by the NEV market and through accurately grasping the consumer preferences of the Chinese market and relying on the strengths of the local supply chain, the Chinese OEMs gained significant market share in China during the Review Period. In 2023, China moved onto the phase of post-pandemic economic recovery and is expected to realise steady development in automobile market in the second half of this year under the combined effect of economic recovery and continued effects of consumption boost policies. According to the forecast of China Association of Automobile Manufacturers, the sales of passenger vehicles in China in 2023 are expected to reach around 23.8 million units, representing a year-on-year growth of approximately 1%.

During the Review Period, while the impact caused by chip shortage had yet to be settled, the global light vehicle market has shown a continuous recovery in terms of production and sales volume. According to GlobalData's forecast, the sales of the global light vehicle market are expected to be approximately 86.35 million units in 2023, representing a year-on-year increase of approximately 6.5%.

MANAGEMENT DISCUSSION AND ANALYSIS

Driven by the “dual engines” of new energy and intelligence-based development, enterprises in the new energy and electronics segments for parts and components have witnessed the most impressive growth in revenue and profitability, whilst lightweight segment has also registered remarkable profitability. On the contrary, internal combustion engine and traditional business segments are poised to record diminishing results. The parts and components related to battery, electric motor and electric control as well as intelligent application have become the new high grounds for value creation and attracted top players in parts and components segment to compete for market presence. Percentage of bill of material cost for new energy power system is estimated to be 40% to 50% by 2025, which could be substantially higher than that of the power system of ICE vehicles. The all-inclusive price comprising of intelligent cabin and intelligent driving system has been boosted by the continuous development of the intelligent and automatic driving technologies, and the percentage of bill of material cost for these products is expected to be 20% to 30% of the whole vehicle by 2030. Going forward, R&D investment for technological innovation, new business incubation, provision of integrated solutions, agile organisation and talent reserves for innovation will all play a key part in shoring up the growth and expansion of auto parts enterprises.

The Group will continue to address the challenges brought by the changes in global political and economic situations and closely monitor the changes in the macro-environment of the industry to seize any opportunities arising from any development opportunities in the global automobile industry, while devising a strategic layout in tandem with global policies on NEV related industries and the automobile industry’s trends of light-weight, intelligence and electrification. The Group will continue to refine its R&D capabilities and production technique of, and hence enhance its global competitiveness in, traditional products. In the meantime, the Group will continue to delve into the field of innovation and strive to master world-class production and manufacturing technologies through independent innovation and cooperative R&D, achieving continuous product innovation and building world-leading competence to meet the challenges and opportunities brought by the tremendous changes in the automobile industry.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of operational improvement, the Group will further optimise the strategic planning of all BUs and continue to enhance its operational capabilities, and select model factories in different regions for management replication and cost benchmarking, and to establish comprehensive competitive strengths in technology, cost, personnel efficiency and resource utilisation and utilise global resources to achieve local excellence, thereby achieving effective enhancement in profitability. In the meantime, the Group will continue to improve the global layout of its BUs, reinforce its GLOCAL management capabilities, enhance its local supply level and maximise the global replication or sharing of different factories' advantages in technologies, management, cost, resources and talents, thereby enhancing the Group's global competitiveness.

The Group will continue to carry out the replacement and upgrade of its global application system through digital transformation, where a standardised data system with Minth characteristics will be developed to integrate the business process and structure for research, production, supply, sales and services, thereby establishing a global operation platform to support its globally standardised operation and operation excellence.

The Group will strive to balance and optimise its investment portfolio and value chain layout in the global market and strike excellence in operation ability, in order to better manage risks and respond to uncertainties of the macro-environment and achieve value positioning in a more flexible manner. The Group has been steadfastly adhering to its strategy of global business development, paying attention to changes in circumstances worldwide and striving for diversified regional and customer base development, while ensuring that it has a relatively independent operating space and achieves mass production in each of its major market regions, thereby realising a dual-presence in global and regional markets, to protect the Group's stable development and reduce potential risks arising from changes in the external environment and geopolitical factors. Meanwhile, the Group will continue to build up its global operation team, upon which to further consolidate the Group's core competitiveness in technology, products and talents, and offer more system integration solutions and customised products and services to its clients, consequently striving for the leading position in the global auto parts industry.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (the same period in 2022: nil).

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, the interests or short positions of substantial Shareholders, other than the Directors or the chief executives of the Company, in the Shares and underlying shares of the Company as recorded in the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO are as follows:

Name of Substantial Shareholder	Capacity	Long/Short Position	Total Number of Ordinary Shares	Percentage of the Company's Issued Share Capital (Note 1)
Chin Jong Hwa	Interest of controlled corporations	Long position	450,072,000 (Note 2)	38.74%
Minth Holdings Limited ("Minth Holdings")	Beneficial owner	Long position	450,072,000 (Note 3)	38.74%
Mitsubishi UFJ Financial Group, Inc.	Interest of controlled corporations	Long position	69,530,000 (Note 4)	5.98%
Invesco Asset Management Limited	Investment manager	Long position	58,516,000	5.04%

Note 1: The percentage of the Company's issued share capital of 1,161,837,799 Shares as at 30 June 2023.

Note 2: As at 30 June 2023, Minth Holdings was beneficially interested in 450,072,000 Shares. Minth Holdings was wholly-owned by Mr. Chin Jong Hwa and he was therefore deemed to be interested in the entire 450,072,000 Shares held by Minth Holdings.

Note 3: As at 30 June 2023, Minth Holdings, a company wholly-owned by Mr. Chin Jong Hwa, was beneficially interested in 450,072,000 Shares.

Note 4: As at 30 June 2023, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, these Shares were held by corporations controlled directly or indirectly as to 100% by Mitsubishi UFJ Financial Group, Inc.

OTHER INFORMATION

Other than as disclosed above, as at 30 June 2023, the Company had not been acknowledged by any person of any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

As at 30 June 2023, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would otherwise have to be notified to the Company and the Stock Exchange pursuant to Division 7 and Division 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

Name of Director	Company/ Name of Associated Corporation	Long/Short Position	Capacity	Total Number of Ordinary Shares	Percentage of the Company's Issued Share Capital (Note 1)
Wei Ching Lien	Company	Long position	Interest of spouse	450,072,000 (Note 2)	38.74%
Chin Chien Ya	Company	Long position	Beneficial owner	250,000 (Note 3)	0.02%
Ye Guo Qiang ("Mr. Ye")	Company	Long position	Beneficial owner	360,000 (Note 3)	0.03%
Wang Ching ("Dr. Wang")	Company	Long position	Beneficial owner	200,000 (Note 3)	0.02%
Wu Tak Lung	Company	Long position	Beneficial owner	100,000 (Note 3)	0.01%
Zhang Yuxia	Company	Long position	Beneficial owner	420,000 (Note 4)	0.04%

OTHER INFORMATION

- Note 1: The percentage of the Company's issued share capital is based on the 1,161,837,799 Shares issued as at 30 June 2023.
- Note 2: As at 30 June 2023, Minth Holdings was beneficially interested in 450,072,000 Shares. Minth Holdings is wholly-owned by Mr. Chin Jong Hwa and he is therefore deemed to be interested in the entire 450,072,000 Shares held by Minth Holdings. Since Ms. Wei is the spouse of Mr. Chin Jong Hwa, Ms. Wei is deemed to be interested in the 450,072,000 Shares in which Mr. Chin Jong Hwa is deemed to be interested.
- Note 3: These figures represent the number of Share Options granted to Ms. Chin, Mr. Ye, Dr. Wang and Mr. Wu under the 2012 Share Option Scheme that are exercisable. Upon exercise of the Share Options, Ms. Chin, Mr. Ye, Dr. Wang and Mr. Wu will own 250,000 Shares, 360,000 Shares, 200,000 Shares and 100,000 Shares, respectively. On 31 May 2023, Ms. Chin was re-designated as a non-executive Director of the Company, and Mr. Wu retired as an independent non-executive Director of the Company.
- Note 4: These figures represent (i) 400,000 Share Options granted to Ms. Zhang under the 2012 Share Option Scheme that are exercisable and (ii) 20,000 Shares held by Ms. Zhang. Upon exercise of the Share Options, Ms. Zhang will own 400,000 Shares. Ms. Zhang was appointed as an executive Director of the Company on 31 May 2023.

Save as disclosed above, as at 30 June 2023, none of the Directors, chief executives and their associates had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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

During the Review Period, the grantees of the Company's Share Option Schemes exercised 2,000 Share Options in accordance with the rules and terms of the Share Option Schemes and 1,202,200 Share Options lapsed as a result of resignations of grantees.

OTHER INFORMATION

During the Review Period, the trustee of the Share Award Scheme did not purchase any shares of the Company (“Awarded Shares”) on the Stock Exchange pursuant to the rules of the Share Award Scheme and the terms of the trust deed, and the Group did not grant any Awarded Shares to the grantees. 92,000 Awarded Shares were lapsed during the Review Period due to the resignations of the grantees.

Save as disclosed above, 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

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

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

Notwithstanding the fact that the roles of the Chairman and CEO are performed by the same individual, the Board is of the view that the Group has an effective management structure for its operations and sufficient checks and balances are in place. The Board will continue to review its corporate governance practices in order to enhance its corporate governance standard and to comply with regulatory requirements.

MATERIAL LITIGATION AND ARBITRATION

The Group was not engaged in any litigation or arbitration of material importance during the Review Period and up to the date of this interim report.

OTHER INFORMATION

AUDIT COMMITTEE

As of 30 June 2023, the Audit Committee of the Company consisted of four independent non-executive Directors, namely Mr. Mok Kwai Pui Bill (chairman of the Audit Committee), Dr. Wang Ching, Professor Chen Quan Shi and Mr. Tatsunobu Sako. 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 2023 and this interim report, and recommended its adoption by the Board.

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

Hong Kong, 22 August 2023

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF MINTH GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Minth Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 52 to 96, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

22 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Revenue	3	9,747,406	7,252,100
Cost of sales		(7,184,673)	(5,138,368)
Gross profit		2,562,733	2,113,732
Investment income	4	171,409	152,874
Other income	5	148,007	156,223
Reversal (recognition) of impairment losses under expected credit loss model, net of	14	548	(1,029)
Other gains and losses	6	2,990	20,449
Distribution and selling expenses		(359,883)	(449,927)
Administrative expenses		(623,068)	(551,310)
Research expenditures		(615,618)	(507,284)
Interest expenses		(232,292)	(142,393)
Share of results of joint ventures		11,322	14,576
Share of results of associates		(9,921)	(9,200)
Profit before tax		1,056,227	796,711
Income tax expense	7	(158,756)	(118,558)
Profit for the period	8	897,471	678,153

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Note			
	Other comprehensive income:		
	Items that may be subsequently reclassified to profit or loss:		
	Exchange differences arising on translation of financial statements of foreign operations	162,517	7,849
	Fair value (loss) gain on: debt instruments measured at fair value through other comprehensive income	(996)	567
	Other comprehensive income for the period (net of income tax)	161,521	8,416
	Total comprehensive income for the period	1,058,992	686,569
	Profit for the period attributable to:		
	Owners of the Company	887,300	657,601
	Non-controlling interests	10,171	20,552
		897,471	678,153
	Total comprehensive income for the period attributable to:		
	Owners of the Company	1,047,148	673,856
	Non-controlling interests	11,844	12,713
		1,058,992	686,569
	Earnings per share	10	
	Basic	RMB0.771	RMB0.571
	Diluted	RMB0.771	RMB0.571

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	11	14,930,902	13,435,289
Right-of-use assets	11	1,085,238	1,082,852
Goodwill		98,030	98,030
Other intangible assets		121,824	112,848
Interests in joint ventures		249,289	237,967
Interests in associates		146,707	155,913
Deferred tax assets		284,852	270,079
Prepayment for acquisition of property, plant and equipment		1,013,076	848,103
Contract assets	13	903,560	867,992
Contract costs		118,231	133,687
Financial assets at fair value through profit or loss		29,631	28,269
Plan assets		2,212	2,212
Derivative financial assets	15	6,607	6,053
		18,990,159	17,279,294
Current assets			
Inventories		3,504,364	3,633,134
Loan receivable		11,834	–
Trade and other receivables	12	6,757,640	6,540,618
Contract assets	13	291,476	294,145
Derivative financial assets	15	59,602	87,241
Debt instruments at fair value through other comprehensive income		349,433	163,712
Pledged bank deposits	25	1,360,166	1,055,003
Bank balances and cash		4,117,596	4,220,651
		16,452,111	15,994,504

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
	Notes		
Current liabilities			
Trade and other payables	16	6,177,913	5,765,470
Tax liabilities		159,610	156,684
Borrowings	17	7,343,633	7,192,399
Lease liabilities		28,047	19,087
Contract liabilities		161,845	176,622
Derivative financial liabilities	15	18,791	3,638
		13,889,839	13,313,900
Net current assets		2,562,272	2,680,604
Total assets less current liabilities		21,552,431	19,959,898
Capital and reserves			
Share capital	18	116,256	116,255
Share premium and reserves		17,264,071	16,801,496
Equity attributable to owners of the Company		17,380,327	16,917,751
Non-controlling interests		722,445	780,368
Total equity		18,102,772	17,698,119
Non-current liabilities			
Borrowings	17	2,205,915	1,005,797
Deferred tax liabilities		145,897	181,581
Retirement benefit obligation		2,749	2,749
Lease liabilities		77,100	80,878
Derivative financial liabilities	15	9,594	–
Deferred income	19	32,882	27,058
Other long-term liabilities	20	975,522	963,716
		3,449,659	2,261,779
		21,552,431	19,959,898

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital RMB'000	Share premium RMB'000	Treasury stock RMB'000	Special reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve fund RMB'000	Enterprise expansion fund RMB'000	FVTOCI reserve RMB'000	Exchange reserve RMB'000	Share-based payment reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022 (audited)	116,219	4,137,777	(218,086)	276,199	38,417	1,073,376	430,651	(814)	(119,399)	240,250	10,058,382	16,022,972	532,684	16,556,656
Profit for the period	-	-	-	-	-	-	-	-	-	-	657,601	657,601	20,552	678,153
Other comprehensive income for the period	-	-	-	-	-	-	-	567	15,688	-	-	16,255	(7,839)	8,416
Total comprehensive income for the period	-	-	-	-	-	-	-	567	15,688	-	657,601	673,856	12,713	686,569
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	28,390	-	28,390	-	28,390
Transfer to reserve fund	-	-	-	-	-	22,255	-	-	-	-	(22,255)	-	-	-
Transfer to other reserve for share option forfeited after the vesting date	-	-	-	-	4,296	-	-	-	-	(4,296)	-	-	-	-
Dividends recognised as distribution (note 9)	-	-	6,156	-	-	-	-	-	-	-	(621,768)	(615,612)	-	(615,612)
Exercise of share options	36	10,928	-	-	-	-	-	-	-	(2,476)	-	8,488	-	8,488
Capital contribution from non-controlling shareholders (note ii)	-	-	-	-	-	-	-	-	-	-	-	-	26,239	26,239
Treasury stock (note 21)	-	-	(46,731)	-	-	-	-	-	-	-	-	(46,731)	-	(46,731)
At 30 June 2022 (unaudited)	116,255	4,148,705	(258,661)	276,199	42,713	1,095,631	430,651	(247)	(113,711)	261,868	10,071,960	16,071,363	571,636	16,642,999

Note:

- (i) During the prior interim period, Jiaxing Sinoone Investments Co., Ltd.* (嘉興司諾投資有限公司) (“Jiaxing Sinoone”), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with Tokai Kogyo Co., Ltd. (“Tokai Kogyo”), a minority shareholder of one subsidiary of the Group, pursuant to which Jiaxing Sinoone and Tokai Kogyo agreed to set up Jiaxing Toei Minh Automotive Parts Co., Ltd.* (嘉興東榮敏實汽車零部件有限公司) (“Jiaxing Toei”), with the registered capital of USD24,000,000 and each party held 50% of the equity interest in Jiaxing Toei. According to the cooperation agreement, Jiaxing Sinoone had the right to approve the major matter of Jiaxing Toei alone on the shareholders’ meeting, and appointed a majority of directors of the board of Jiaxing Toei, upon which Jiaxing Toei would be a 50% owned subsidiary of the Company. As at 30 June 2022, Jiaxing Toei had received the initial capital contribution of USD8,000,000 (equivalent to approximately RMB52,478,000) from Tokai Kogyo and Jiaxing Sinoone.

* The English names are for identification purposes only.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital RMB'000	Share premium RMB'000	Treasury stock RMB'000	Special reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve fund RMB'000	Enterprise expansion fund RMB'000	FVTOCI reserve RMB'000	Exchange reserve RMB'000	Share-based payment reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023 (audited)	116,255	4,148,705	(258,661)	276,199	72,693	1,073,376	430,651	(572)	(145,939)	266,411	10,938,629	16,917,751	780,368	17,698,119
Profit for the period	-	-	-	-	-	-	-	-	-	-	887,300	887,300	10,171	887,471
Other comprehensive income for the period	-	-	-	-	-	-	-	(986)	160,844	-	-	159,848	1,673	161,521
Total comprehensive income for the period	-	-	-	-	-	-	-	(986)	160,844	-	887,300	1,047,148	11,844	1,058,982
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	-	16,713	-	16,713	-	16,713
Transfer to reserve fund	-	-	-	-	-	90,699	-	-	-	-	(90,699)	-	-	-
Transfer to other reserve for share option forfeited after the vesting date	-	-	-	-	6,170	-	-	-	(6,170)	-	-	-	-	-
Dividends recognised as distribution (note 9)	-	-	6,025	-	-	-	-	-	-	-	(608,578)	(602,553)	-	(602,553)
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(71,901)	(71,901)
Exercise of share options	1	54	-	-	-	-	-	-	-	(11)	-	44	-	44
Recognition of equity-settled share-based payment in a subsidiary (note 21)	-	-	-	-	-	-	-	-	-	1,224	-	1,224	2,134	3,358
At 30 June 2023 (unaudited)	116,256	4,148,759	(252,636)	276,199	78,863	1,164,075	430,651	(1,568)	14,909	278,167	11,126,652	17,380,327	722,445	18,102,772

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

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

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

The financial instruments measured at fair value through other comprehensive income ("FVTOCI") reserve represents the changes in fair value of bill receivables which was measured as debt instruments at FVTOCI in the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
NET CASH FROM OPERATING ACTIVITIES	1,597,158	357,370
NET CASH USED IN INVESTING ACTIVITIES:		
Proceeds from redemption of other financial assets and derivative financial instruments	4,497,606	3,319,252
Investment in other financial assets and derivative financial instruments	(4,448,993)	(3,307,724)
Receipt of government subsidies related to assets	86,733	16,129
Interest received	242,353	76,607
Dividend received from a joint venture	–	5,000
Proceeds on disposal of property, plant and equipment	23,909	90,420
Payment for investment in a joint venture	–	(14,178)
Payment for investment in an associate	(715)	(1,072)
Placement of pledged bank deposits	(405,146)	–
Withdrawal of pledged bank deposits	100,000	804,060
Payment for right-of-use assets	(16,447)	(53,797)
Purchases of property, plant and equipment	(1,997,449)	(1,649,509)
Net cash inflow arising on settlement of consideration receivable in respect of disposal of subsidiaries in prior period	152,510	150,000
Repayment from an associate	73,516	–
Loan to an associate	(85,314)	–
Purchases of other intangible assets	(26,329)	(12,538)
	(1,803,766)	(577,350)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
NET CASH FROM (USED IN) FINANCING ACTIVITIES:		
Repayment of borrowings	(14,396,915)	(13,101,324)
Dividends paid to owners of the Company	(602,553)	(615,612)
Dividends paid to non-controlling shareholders	(93,234)	(10,665)
Interest paid	(223,631)	(129,173)
New borrowings raised	15,408,219	13,203,151
Proceeds from exercise of share options	44	8,488
Repayment of lease liabilities	(11,590)	(13,472)
Loan from related companies	-	30,000
Repayment to related companies	-	(30,000)
Capital contributions from non-controlling shareholders	-	26,239
Payment on repurchase shares as treasury stock	-	(46,731)
	80,340	(679,099)
Net decrease in cash and cash equivalents	(126,268)	(899,079)
Cash and cash equivalents at beginning of the period	4,220,651	5,491,959
Effect of foreign exchange rate changes	23,213	152
Cash and cash equivalents at end of the period	4,117,596	4,593,032

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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.

Other than additional change 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 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

2.1 Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

2.1.1 Accounting policies

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

2.1.2 Transition and summary of effects

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction separately and temporary differences on initial recognition on the relevant assets and liabilities were not recognised due to application of the initial recognition exemption. In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognised a deferred tax asset of RMB22,100,000 (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability of RMB22,100,000 for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

2.2 Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform-Pillar Two model Rules

In July 2023, the HKICPA issued the amendments to HKAS 12 to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the “Pillar Two legislation”). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current interim period because the Group’s entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group’s exposure to Pillar Two income taxes in the Group’s annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

2.3 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

In addition, the Group will apply Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s consolidated financial statements for the year ending 31 December 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group’s accounting policies in the Group’s annual consolidated financial statements for the year ending 31 December 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

New and amendments to HKFRSs in issue but not yet effect

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

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback²</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)²</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants²</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements²</i>

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue

	Six months ended 30 June 2023 (unaudited)		
	Automobile body part RMB'000	Mould RMB'000	Total RMB'000
Types of goods or services			
Sales of goods	9,066,046	681,360	9,747,406
Geographical markets			
The PRC	4,273,506	416,884	4,690,390
Other countries	4,792,540	264,476	5,057,016
Total	9,066,046	681,360	9,747,406

	Six months ended 30 June 2022 (unaudited)		
	Automobile body part RMB'000	Mould RMB'000	Total RMB'000
Types of goods or services			
Sales of goods	6,791,419	460,681	7,252,100
Geographical markets			
The PRC	3,648,113	246,598	3,894,711
Other countries	3,143,306	214,083	3,357,389
Total	6,791,419	460,681	7,252,100

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3B. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

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

For the six months ended 30 June 2023 (unaudited)

	Metal & Trim RMB'000	Plastic RMB'000	Aluminum RMB'000	Battery- housing RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
Segment revenue	2,512,333	2,487,270	2,079,840	1,802,427	1,215,877	(350,341)	9,747,406
Segment profit	661,510	548,668	746,736	321,934	223,549	60,336	2,562,733
Investment income							171,409
Other unallocated income and gains and losses							151,545
Unallocated expenses							(1,598,569)
Interest expenses							(232,292)
Share of results of joint ventures							11,322
Share of results of associates							(9,921)
Profit before tax							1,056,227
Income tax expense							(158,756)
Profit for the period							897,471

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

For the six months ended 30 June 2022 (unaudited)

	Metal & Trim RMB'000	Plastic RMB'000	Aluminum RMB'000	Battery- housing RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
Segment revenue	2,547,561	2,095,181	1,739,014	497,817	859,797	(487,270)	7,252,100
Segment profit	657,664	499,088	574,386	89,663	243,716	49,215	2,113,732
Investment income							152,874
Other unallocated income and gains and losses							175,643
Unallocated expenses							(1,508,521)
Interest expenses							(142,393)
Share of results of joint ventures							14,576
Share of results of associates							(9,200)
Profit before tax							796,711
Income tax expense							(118,558)
Profit for the period							678,153

4. INVESTMENT INCOME

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Interest on bank balance	171,373	152,874
Interest on loan receivables	36	—
Total	171,409	152,874

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

5. OTHER INCOME

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Government grants (note i)	94,761	89,612
Service and consultation income (note ii)	13,878	11,740
Sales of scrap and raw materials (note iii)	17,681	26,429
Property rental income, net of outgoings	11,820	15,069
Others	9,868	13,373
Total	148,007	156,223

Notes:

- (i) The amounts represent the various subsidies granted by the PRC local government authorities to group entities as incentives for their good performance in quality control or environmental protection, or involvement in the hi-tech know-how industry and product development activities. The government grants were unconditional and had been approved by the PRC local government authorities.
- (ii) The Group provides certain maintenance, repairing and technical consultation services to customers, which are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. As a practical expedient, the Group has not disclosed the information of unsatisfied performance obligation since the performance obligation has an original expected duration of one year or less. The amounts shown in note 5 for the period have been offset by the relevant costs for service and consultation income of RMB3,851,000 (for the six months ended 30 June 2022: RMB4,231,000).
- (iii) Revenue for sales of scrap and raw materials is recognised when control of the materials has been transferred to the buyer, being at the point the goods are delivered to the buyer. As a practical expedient, the Group has not disclosed the information of unsatisfied performance obligation since the performance obligation has an original expected duration of one year or less. The amounts shown in note 5 for the period have been offset by the relevant costs for sales of scrap and raw materials of RMB135,019,000 (for the six months ended 30 June 2022: RMB238,103,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Net foreign exchange gains (losses)	23,354	(24,566)
Gains on fair value changes of other financial assets at fair value through profit or loss	–	7,783
Losses on disposal of property, plant and equipment	(9,191)	(6,504)
Impairment loss recognised on property, plant and equipment	(4,450)	(3,543)
(Losses) gains on fair value changes of derivative financial instruments	(3,219)	52,659
Others	(3,504)	(5,380)
Total	2,990	20,449

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Current tax:		
PRC Enterprise Income Tax	184,680	100,648
Other jurisdictions	35,102	28,002
	219,782	128,650
Over provision in prior years:		
PRC Enterprise Income Tax	(10,569)	(4,143)
Deferred tax:		
Current period	(50,457)	(5,949)
	158,756	118,558

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

Under the Law of the Macau Corporate Income Tax (the "MCIT Law"), the tax rate of Minth International Offshore Commercial Services Co., Ltd. ("Minth Macau") is 12%.

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Directors' remuneration	2,491	3,573
Other staff's salaries and allowances	1,756,071	1,415,911
Other staff's related welfares and benefits	130,847	101,610
Other staff's retirement benefits scheme contributions	108,475	89,300
Other staff's share-based payments	16,297	27,135
Total staff costs	2,014,181	1,637,529
Depreciation of property, plant and equipment	625,483	486,558
Depreciation of right-of-use assets	21,725	17,300
Amortisation of other intangible assets	22,774	14,561
Amortisation of contract costs	18,434	16,643
Total depreciation and amortisation	688,416	535,062
Cost of inventories recognised	7,184,673	5,138,368
Write-down of inventories	9,615	18,865
Reversal of inventories provision	-	(1,496)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

9. DIVIDENDS

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Dividends recognised as distribution during the period:		
2022 Final – HK\$0.578 (2021: final dividend HK\$0.630) per share	608,578	621,768

On 27 June 2023, a dividend of HK\$0.578 per share was paid to shareholders as the final dividend for 2022 (On 22 June 2022, a dividend of HK\$0.630 per share was paid to shareholders as the final dividend for 2021).

The directors of the Company have determined that no dividend will be proposed in respect of the interim period (2022 interim period: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	887,300	657,601
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (note i)	1,150,318	1,151,695
Effect of dilutive share options and restricted shares (note ii)	-	451
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,150,318	1,152,146

Notes:

- (i) The computation of basic earnings per share for the six months ended 30 June 2023 and six months ended 30 June 2022 has excluded the ordinary shares held in a trust which are accounted for as treasury shares of the Company.
- (ii) 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 2023 nor for the six months ended 30 June 2022 as they did not have dilutive effect on the Company's earnings per share because the exercise prices of these options were higher than the average market prices of the Company's shares during the current and prior interim period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

During the current interim period, the Group spent RMB1,997,449,000 (RMB1,649,509,000 for the six months ended 30 June 2022) on the construction of the manufacturing plant and acquisitions of plant and machinery in the PRC, the United States of America, Thailand, Czech Republic, Mexico, Poland, and Republic of Serbia, in order to upgrade its manufacturing capabilities.

During the current and last interim period, due to the change of business plan, the management of the Group identified certain idle machineries and equipment while the Group assessed that they had no alternative plan to use them since these assets were all customised machineries and equipment for its certain customers. Accordingly, the Group recognised an impairment in respect of these idle machineries and equipment in full with carrying amounts of RMB4,450,000 (RMB3,543,000 for the six months ended 30 June 2022) during the current interim period.

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 1 to 30 years. The Group is required to make fixed monthly payments and additional variable payments depending on the usage of the assets during the contract period. On lease commencement, the Group recognised right-of-use assets of RMB4,478,000 (for the six months ended 30 June 2022: RMB6,145,000) and lease liabilities of RMB4,478,000 (for the six months ended 30 June 2022: RMB6,145,000).

During the current interim period, the Group recognised right-of-use assets of RMB16,447,000 (for the six months ended 30 June 2022: RMB53,797,000) in respect of newly obtained land use right located in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Trade receivables		
– associates	10,527	9,338
– joint ventures	40,101	34,883
– non-controlling shareholders of subsidiaries	–	6
– other related parties*	2,336	1,494
– third parties	4,703,634	4,627,445
Less: Allowance for credit losses	(29,772)	(30,325)
	4,726,826	4,642,841
Bills receivables	27,637	2,043
Other receivables	101,662	97,198
Less: Allowance for credit losses	(951)	(1,476)
	100,711	95,722
	4,855,174	4,740,606
Prepayments to suppliers	1,181,594	943,812
Utility and rental prepayments	34,013	45,326
Prepaid value-added tax recoverable and refundable	454,293	354,818
Consideration receivable for disposal of subsidiaries	2,160	154,670
Interest receivable	230,406	301,386
Total trade and other receivables	6,757,640	6,540,618

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Age		
0-90 days	4,116,387	4,176,796
91-180 days	451,933	341,716
181-365 days	113,752	84,653
1-2 years	41,636	34,215
Over 2 years	3,118	5,461
	4,726,826	4,642,841

13. CONTRACT ASSETS

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Moulds development	1,202,779	1,169,880
Less: Allowance for credit losses	(7,743)	(7,743)
	1,195,036	1,162,137
Analysed for reporting purpose as:		
Current	291,476	294,145
Non-current	903,560	867,992
	1,195,036	1,162,137

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

The contract assets are in relation to the Group's rights to consideration for moulds development work which are fully completed and accepted by the customers 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.

14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSSES ("ECL") MODEL

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Net reversal (recognised) impairment loss in respect of		
Trade receivables	548	(1,029)
Other receivables	–	–
Loan receivables	–	–
	548	(1,029)

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

15. DERIVATIVE FINANCIAL ASSETS/DERIVATIVE FINANCIAL LIABILITIES

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Derivative financial assets		
Foreign exchange forward contracts (a)	–	10,030
Foreign currency structural option contracts (b)	–	358
Cross-currency swap contracts (c)	59,602	69,621
Interest rate swap contracts (d)	6,607	13,285
	66,209	93,294
Derivative financial liabilities		
Foreign exchange forward contracts (a)	17,370	3,622
Foreign currency structural option contracts (b)	1,421	16
Cross-currency swap contracts (c)	9,594	–
	28,385	3,638
	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Analysed for reporting purpose as:		
Current assets	59,602	87,241
Non-current assets	6,607	6,053
	66,209	93,294
Current liabilities	18,791	3,638
Non-current liabilities	9,594	–
	28,385	3,638

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

Notes:

a. Foreign exchange forward contracts

As of 30 June 2023, the Group had a number of outstanding foreign exchange forward contracts. Nil balance of derivative financial assets (31 December 2022: RMB10,030,000), and derivative financial liabilities of RMB17,370,000 (31 December 2022: RMB3,622,000) have been recognised in accordance with the fair value of the above foreign exchange forward contracts, respectively.

b. Foreign currency structural option contracts

As of 30 June 2023, the Group had a number of foreign currency structural option contracts. Nil balance of derivative financial assets (31 December 2022: RMB358,000), and derivative financial liabilities of RMB1,421,000 (31 December 2022: RMB16,000) have been recognised in accordance with the fair value of the above options contracts, respectively.

c. Cross-currency swap contracts

As of 30 June 2023, the Group had a number of cross-currency swap contracts. Derivative financial assets of RMB59,602,000 (31 December 2022: RMB69,621,000), and derivative financial liabilities of RMB9,594,000 (31 December 2022: Nil) have been recognised in accordance with the fair value of the above cross-currency swap contracts, respectively.

d. Interest rate swap contracts

As of 30 June 2023, the Group had a number of interest rate swap contracts. Derivative financial assets of RMB6,607,000 (31 December 2022: RMB13,285,000) have been recognised in accordance with the fair value of the above interest rate swap contracts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

16. TRADE AND OTHER PAYABLES

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Trade payables		
– associates	17,077	12,994
– joint ventures	49,295	45,382
– non-controlling shareholders of subsidiaries	–	120
– other related parties*	32,650	8,988
– third parties	3,305,483	3,088,314
	3,404,505	3,155,798
Bills payables	603,437	385,796
Other payables		
– associates	33	36
– joint ventures	770	1,095
– non-controlling shareholders of subsidiaries	1,573	2,104
– other related parties*	6,457	7,147
	8,833	10,382
	4,016,775	3,551,976
Payroll and welfare payables	457,931	552,718
Consideration payable for acquisition of property, plant and equipment	729,942	655,910
Technology support services fees payable	18,975	25,479
Freight and utilities payable	74,216	70,253
Other tax payable	110,251	111,132
Deposits received	14,946	14,926
Provision	68,274	57,656
Dividend payables	–	21,333
Others	686,603	704,087
Total trade and other payables	6,177,913	5,765,470

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Age		
0-90 days	2,645,344	2,493,679
91-180 days	449,894	410,930
181-365 days	183,922	177,441
1-2 years	118,054	63,743
Over 2 years	7,291	10,005
	3,404,505	3,155,798

17. BORROWINGS

During the current interim period, the Group obtained new borrowings amounting to RMB15,408,219,000 (RMB13,203,151,000 for the six months ended 30 June 2022). The loans bear interest at variable market rates and fixed rates. The proceeds were used to provide additional working capital for the Group. Repayments of borrowings amounting to RMB14,396,915,000 (RMB13,101,324,000 for the six months ended 30 June 2022) were made during the current interim period in line with the relevant repayment terms.

18. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	5,000,000	500,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

	Number of shares '000	Share capital RMB'000
Issued and fully paid:		
As at 1 January 2022 (audited)	1,161,401	116,219
Exercise of share options	435	36
At 30 June 2022 (unaudited)	1,161,836	116,255
As at 1 January 2023 (audited)	1,161,836	116,255
Exercise of share options	2	1
At 30 June 2023 (unaudited)	1,161,838	116,256

19. DEFERRED INCOME

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Government grants received – non-current liabilities	32,882	27,058

20. OTHER LONG-TERM LIABILITIES

During the year ended 31 December 2020, the Group entered into an agreement with a local government agency in the PRC, who agreed to inject capital contribution amounting to RMB117,000,000 into Qingyuan Minth Automobile Parts Co., Ltd.* (清遠敏實汽車零部件有限公司) (“Qingyuan Minth”), a subsidiary of the Group. Pursuant to the capital injection agreement, the local government agency would not participate in Qingyuan Minth’s operation and management. The local government agency would enforce the right requiring the Group, and the Group is obligated, to redeem the capital injection from local government agency within five years after the receipt of the capital, together with interest calculated based on the below-market interest rate stipulated in the agreement. Therefore, the capital injection made by the local government agency is treated as a long-term liability. The difference between the present value of the long-term liability based on the expected repayment term and its principal amount is accounted for as government grant and recorded as deferred income. As at 30 June 2023, the carrying amount of this long-term liability together with the interest payable is RMB110,322,000 (31 December 2022: RMB107,816,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

During the year ended 31 December 2019, the Group entered into an agreement with local government funds in the PRC to establish a partnership Jiaxing Minth Equity Investment Partnership Enterprise (Limited Partnership)* (嘉興敏實定向股權投資合夥企業(有限合夥)) (“Jiaxing Partnership”) with an operation period of maximum 7 years, whose only investment target is Jiaxing Minhua Automotive Parts Co., Ltd.* (嘉興敏華汽車零部件有限公司) (“Jiaxing Minhua”), a subsidiary of the Group. Pursuant to the agreement, the local government funds would contribute capital amounting to RMB800,000,000 into the Jiaxing Partnership. The local government funds would neither participate in Jiaxing Partnership’s nor Jiaxing Minhua’s operation and management. The local government funds would require the Group and the Group is obligated to redeem RMB800,000,000 of the capital contributed by the local government funds together with interest calculated based on the market interest rate, no later than the expiry of the operation period of Jiaxing Partnership. The interest could be recognised as a reduction of interest expenses incurred under the terms of the agreement when certain conditions are fulfilled during the operation period of Jiaxing Partnership. During the year ended 31 December 2022, the Group had met certain conditions stipulated in the agreement under which corresponding government subsidies have been recognised as a reduction of interest expenses incurred. The Group treats the capital contribution by the local government funds together with interest payable as a long-term liability and measures corresponding interest payable on its best estimate. As at 30 June 2023, the carrying amount of this long-term liability together with the interest payable is RMB865,200,000 (31 December 2022: RMB855,900,000).

* The English names are for identification purposes only.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

21. SHARE-BASED PAYMENTS

Share options

The Company adopted a share option scheme (the “2005 Share Option Scheme”) pursuant to a resolution passed on 13 November 2005 for the primary purpose of providing incentives to directors and eligible employees, the term of the 2005 Share Option Scheme was 10 years. The 2005 Share Option Scheme has been terminated and replaced by a new share option scheme, which was approved in the annual general meeting held on 22 May 2012 and would be valid for 10 years from the date of its adoption (the “2012 Share Option Scheme”). The 2012 Share Option Scheme had been expired in May 2022, and replaced by a new share option scheme, which was approved in the annual general meeting held on 31 May 2022 and will be valid for 10 years from the date of its adoption (the “2022 Share Option Scheme”).

The Group had granted a series of share options in 2007, 2008, 2011, 2012, 2014, 2015, 2018 and 2020 under the 2005 Share Option Scheme and the 2012 Share Option Scheme, respectively. For details, please refer to the relevant published announcements of the Company.

For the six months ended 30 June 2023, no new share options were granted (for the six months ended 30 June 2022, no new share options were granted).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

	Number of share options
Outstanding as at 1 January 2022 (audited)	42,541,200
Granted during the period	–
Exercised during the period	(435,300)
Forfeited during the period	(1,064,400)
Outstanding as at 30 June 2022 (unaudited)	41,041,500

	Number of share options
Outstanding as at 1 January 2023 (audited)	38,503,400
Granted during the period	–
Exercised during the period	(2,000)
Forfeited during the period	(1,202,200)
Outstanding as at 30 June 2023 (unaudited)	37,299,200

The Binomial model had been used to estimate the fair value of a series of share options granted under the 2005 Share Option Scheme and the 2012 Share Option Scheme. The variables and assumptions used in computing the fair value of the share options were based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

During the current interim period, the weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$24.15 (for the six months ended 30 June 2022: HK\$24.67).

The Group recognised the total expenses of RMB10,442,000 for the current interim period (RMB22,119,000 for the six months ended 30 June 2022) in relation to share options granted by the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

Restricted shares of the Company

The Company adopted a share award scheme (the “Scheme”) on 28 July 2020, of which the purpose is to recognise the contributions by certain eligible participants (the “Scheme Participants”) and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Pursuant to the Scheme, the Board of Directors shall select the Scheme Participants and determine the number of shares to be awarded (the “Restricted Shares”). An independent trustee appointed by the Board (the “Trustee”) shall purchase from the market such number of issued ordinary shares to be awarded as specified by the Board.

In September 2020, the Group had purchased 8,520,000 issued ordinary shares from the market through the trustee with, the consideration amounted to approximately HK\$251,265,000 (equivalent to approximately RMB222,075,000). In March 2022, the Group had purchased additional 3,000,000 issued ordinary shares from the market through the trustee, the consideration for which amounted to approximately HK\$57,944,000 (equivalent to approximately RMB46,731,000). These ordinary shares are held in trust for the relevant Scheme Participants until such shares are vested with the Scheme Participants in accordance with the provisions of the Scheme. Pursuant to the Scheme, in any event, the aggregate number of Shares held by the trustee (whether directly or indirectly through other controlled corporations) as a whole would not exceed 2% of the issued share capital of the Company at any time (on an actual basis as well as on a fully diluted basis).

On 29 March 2021, the Board resolved to approve the initial grant of 3,000,000 Restricted Shares under the Scheme to the Scheme participants at the grant price of zero per Restricted Share, and vest over a four-year period that each 50% of the awards vesting on the anniversary of the grant date in 36 and 48 months, respectively.

The fair value of Restricted Shares with service conditions or performance conditions is based on the fair market value of the underlying ordinary shares on the date of grant, taking into account the terms and conditions upon which the shares were granted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

The table below discloses movement of the Company's Restricted Shares activity held by the Group's directors and employees:

	Number of Restricted Shares
Outstanding as at 1 January 2022 (audited)	2,856,000
Granted during the period	–
Exercised during the period	–
Forfeited during the period	(77,000)
Outstanding as at 30 June 2022 (unaudited)	2,779,000

	Number of Restricted Shares
Outstanding as at 1 January 2023 (audited)	2,565,000
Granted during the period	–
Exercised during the period	–
Forfeited during the period	(92,000)
Outstanding as at 30 June 2023 (unaudited)	2,473,000

The Group recognised the total expenses of RMB6,271,000 for the current interim period (RMB6,271,000 for the six months ended 30 June 2022) in relation to restricted share units granted by the Company.

Restricted shares of United Alloy-Tech. (BVI) Company LTD.

United Alloy-Tech. (BVI) Company LTD. ("UATC"), a subsidiary of the Group announced a share award scheme (the "UATC Scheme") on 8 June 2022, of which the purpose is to recognise the contributions by corresponding eligible participants (the "UATC Scheme Participants") and to provide them with incentives in order to retain them for the continual operation and development of UATC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

Pursuant to the UATC Scheme, UATC shall issue new 1,500,000 ordinary shares with nominal value of New Taiwan Dollar 10. The Board of UATC Directors shall select the UATC Scheme Participants and determine the number of shares to be awarded (the “UATC Restricted Shares”). On 20 September 2022, the Board of UATC resolved to issue 1,500,000 new shares and approve the grant of corresponding shares to the UATC Scheme participants at the grant price of zero per Restricted Share, and vest over a Three-year period that 30%, 30% and 40% of the awards vesting on the first, second and third anniversary of the grant date, respectively.

The fair value of Restricted Shares with service conditions or performance is based on the fair market value of the underlying ordinary shares on the date of grant, taking into account the terms and conditions upon which the shares were granted.

The following table summarised the UATC’s Restricted Shares activity for the current interim period:

	Number of Restricted Shares
Outstanding as at 1 January 2023 (audited)	1,406,000
Granted during the period	–
Exercised during the period	–
Forfeited during the period	(1,180)
Outstanding as at 30 June 2023 (unaudited)	1,404,820

UATC recognised the total expenses of RMB3,358,000 for the current interim period (nil for the six months ended 30 June 2022) in relation to restricted share units granted.

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For the six months ended 30 June 2023

22. COMMITMENTS

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

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (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	916,485	576,165

23. OTHER MATTER

The Company's subsidiary Minth Mexico Coatings, S.A. de C.V. ("Minth Mexico") received a notice of initiation of investigation dated 30 May 2023 from the Customs and Border Protection of the United States of America in relation to the alleged evasion of anti-dumping duty and countervailing duty by transshipment of Chinese-origins aluminium automotive parts through Mexico (the "Investigations"). Minth Mexico is taking appropriate measures and seeking legal advice in response to such investigations.

Minth Mexico will continue to monitor the progress of the Investigations.

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For the six months ended 30 June 2023

24. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

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

Relationship with related/ connected party	Nature of transactions	Six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Joint ventures, in which the Group has a 30%, 40%, 50% and 51% equity interests	Sales of raw materials	4,245	106
	Sales of finished goods	15,775	22,267
	Sales of moulds	201	-
	Purchases of raw materials	59,993	46,055
	Purchases of finished goods	37,202	26,696
	Purchases of moulds	5,279	-
	Other operating expense	952	174
	Property rentals income	3,780	4,120
	Property rental expenses	-	363
	Other operating income	4,319	3,952
	Proceeds from disposal of property, plant and equipment	7	-
	Consulting services income	1,939	-
	Purchases of property, plant and equipment	-	5
Associates, in which the Group has a 10%, 12.7%, 30%, 35% and 40% equity interests	Sales of finished goods	487	3,593
	Purchases of raw materials	14,218	14,886
	Purchases of finished goods	-	3,172
	Property rental income	1,308	1,302
	Other operating income	340	252
Companies in which Mr. Chin and his family have control	Sales of finished goods	415	-
	Purchases of raw materials	2,199	55,760
	Purchases of finished goods	3,741	-
	Property rental expenses	3,181	4,621
	Consulting services income	15	950
	Consulting services charge	4,060	3,288
	Other operating income	2,460	-

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

	Six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Short-term benefits	2,934	4,063
Post-employment benefits	55	40
Share-based payments	632	2,063
	3,621	6,166

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

25. PLEDGE OF OR RESTRICTIONS ON ASSETS

Pledge of assets

The Group's certain borrowings and bill payables had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	At 30 June 2023 (Unaudited) RMB'000	At 31 December 2022 (Audited) RMB'000
Pledged bank deposits	1,360,166	1,055,003
Pledged debt instruments at fair value through other comprehensive income	306,318	47,361
Pledged property, plant and equipment	20,472	11,382
Pledged right-of-use assets	4,619	–
	1,691,575	1,113,746

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

Financial assets/financial liabilities	30 June 2023 (unaudited)	Fair value as at 31 December 2022 (audited)	Fair value hierarchy	Basis of fair value measurement/valuation technique(s) and key input(s)
1) Foreign exchange forward contracts	Liabilities – RMB17,370,000	Assets – RMB10,030,000 Liabilities – RMB3,622,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
2) Interest rate swaps contracts	Assets – RMB6,607,000	Assets – RMB13,285,000	Level 2	Discounted cash flow. Future cash flows are estimated based on applicable yield curves derived from quoted interest rates and contracted interest rates on each maturity date and contracted forward interest rate at the end of the final maturity date, discounted at a rate that reflects the credit risk of various counterparties.
3) Cross-currency swap contracts	Assets – RMB59,602,000 Liabilities – RMB9,594,000	Assets – RMB69,621,000	Level 2	Discounted cash flow. Future cash flows are estimated based on applicable yield curves derived from quoted interest rates, contracted interest rates on each maturity date and forward exchange rate and contracted forward rate at the end of the final maturity date, discounted at a rate that reflects the credit risk of various counterparties.
4) Debt instruments at FVTOCI	Assets – RMB349,433,000	Assets – RMB163,712,000	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.
5) Foreign currency structural option contracts	Liabilities – RMB1,421,000	Assets – RMB358,000 Liabilities – RMB16,000	Level 3	Fair value is derived using binomial tree computation method. The key parameters used include forward exchange rates from observable forward exchange rate at the end of the reporting period), contracted exchange rates, discount rate, risk-free rate, time to maturity, and volatility.
6) Financial assets at fair value through profit or loss ("Financial assets at FVTPL")	Assets – RMB29,631,000	Assets – RMB28,269,000	Level 3	Recent transaction price

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

There were no transfers between Level 1 and 2 during the period.

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For the six months ended 30 June 2023

Reconciliation of Level 3 fair value measurement:

	Assets		Liabilities
	Foreign currency structural option contracts	Financial assets at FVTPL	Foreign currency structural option contracts
	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2022 (audited)	345	–	(1,133)
Addition	–	26,504	–
Fair value changes	358	–	(16)
Settlements	(345)	–	1,133
Exchange adjustments	–	1,765	–
Balance as at 31 December 2022 (audited)	358	28,269	(16)
Fair value changes	–	–	(1,421)
Settlements	(358)	–	16
Exchange adjustments	–	1,362	–
Balance as at 30 June 2023 (unaudited)	–	29,631	(1,421)

Of the total gains or losses for the period included in profit or loss, unrealised losses of RMB1,421,000 (2022: unrealised gains of RMB342,000) relates to foreign currency structural option contracts held at the end of the current interim period. Fair value gains or losses on foreign currency structural option contracts are included in 'other gains and losses'.