MINTH GROUP LIMITED

敏 實 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 425)

UNAUDITED FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS OF THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS OF THE GROUP

- Revenue increased by approximately 5.1% to approximately RMB13,198.2 million (2018: approximately RMB12,553.2 million).
- Gross profit rose by approximately 2.4% to approximately RMB4,121.4 million (2018: approximately RMB4,023.0 million).
- Profit attributable to owners of the Company increased by approximately 1.8% to approximately RMB1,690.3 million (2018: approximately RMB1,660.6 million).
- Basic earnings per share increased to approximately RMB1.472 (2018: approximately RMB1.451).
- Final dividend will be further determined when the audited results are finalised (2018: HK$0.661).
- Capital expenditure decreased by approximately 24.8% to approximately RMB1,674.7 million (2018: approximately RMB2,226.6 million).
- Consolidated net asset value increased by approximately 9.8% to approximately RMB14,743.7 million (2018: approximately RMB13,428.7 million).

The board (the "Board") of directors (the "Directors") of Minth Group Limited (the "Company") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019 (the "Review Year"), together with the comparative figures for the year ended 31 December 2018 reviewed by the audit committee of the Company ("Audit Committee") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	**2019** *RMB'000* **(unaudited)**	2018 *RMB'000* (audited)
Revenue	3	**13,198,189**	12,553,202
Cost of sales		**(9,076,750)**	(8,530,179)
Gross profit		**4,121,439**	4,023,023
Investment income		**126,389**	108,881
Other income		**200,467**	179,284
Other gains and losses	4	**69,441**	(87,162)
Distribution and selling expenses		**(538,679)**	(519,675)
Administrative expenses		**(1,048,052)**	(941,098)
Research expenditure		**(655,526)**	(590,609)
Interest expenses		**(157,819)**	(137,507)
Share of profits (losses) of joint ventures		**4,388**	(6,410)
Share of (losses) profits of associates		**(20,770)**	17,347
Profit before tax		**2,101,278**	2,046,074
Income tax expense	5	**(336,187)**	(333,534)
Profit for the year	6	**1,765,091**	1,712,540

	NOTE	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
(Loss) gain on remeasurement of defined benefit obligation		**(871)**	3,093
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**30,457**	55,154
Fair value gain (loss) on debt instruments measured at fair value through other comprehensive income ("FVTOCI")		**3,189**	(19)
Other comprehensive income for the year, net of income tax		**32,775**	58,228
Total comprehensive income for the year		**1,797,866**	1,770,768
Profit for the year attributable to:			
Owners of the Company		**1,690,300**	1,660,636
Non-controlling interests		**74,791**	51,904
		1,765,091	1,712,540
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,720,111**	1,714,470
Non-controlling interests		**77,755**	56,298
		1,797,866	1,770,768
Earnings per share	8		
Basic		**RMB1.472**	RMB1.451
Diluted		**RMB1.466**	RMB1.440

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	NOTES	**2019 *RMB'000* (unaudited)**	2018 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment		**8,748,976**	7,933,121
Right-of-use assets		**988,425**	–
Prepaid lease payments		**–**	745,629
Goodwill		**98,030**	97,505
Other intangible assets		**56,554**	63,281
Interests in joint ventures		**90,194**	98,720
Interests in associates		**124,865**	215,062
Loan receivables		**–**	6,000
Deferred tax assets		**187,079**	149,208
Prepayment for acquisition of property, plant and equipment		**57,391**	163,611
Contract assets	11	**576,542**	582,333
Contract costs		**128,891**	64,981
Plan assets		**1,942**	1,788
		11,058,889	10,121,239
Current assets			
Prepaid lease payments		**–**	19,352
Inventories	9	**2,039,976**	1,974,480
Loan receivables		**6,000**	2,000
Property under development		**19,308**	15,347
Trade and other receivables	10	**4,315,920**	4,207,395
Contract assets	11	**234,230**	–
Derivative financial assets		**3,204**	4,878
Debt instruments at FVTOCI		**256,647**	335,864
Pledged bank deposits		**21,267**	65,663
Bank balances and cash		**5,687,234**	4,521,870
		12,583,786	11,146,849

	NOTES	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Current liabilities			
Trade and other payables	12	**3,436,692**	3,291,632
Tax liabilities		**120,410**	136,218
Borrowings		**4,138,998**	4,091,130
Lease liabilities		**5,311**	–
Contract liabilities		**111,783**	72,685
Derivative financial liabilities		**2,640**	1,170
		7,815,834	7,592,835
Net current assets		**4,767,952**	3,554,014
Total assets less current liabilities		**15,826,841**	13,675,253
Capital and reserves			
Share capital		**115,227**	114,902
Share premium and reserves		**14,209,718**	13,045,512
Equity attributable to owners of the Company		**14,324,945**	13,160,414
Non-controlling interests		**418,749**	268,292
Total equity		**14,743,694**	13,428,706
Non-current liabilities			
Deferred tax liabilities		**94,944**	67,405
Lease liabilities		**93,568**	–
Retirement benefit obligation		**16,537**	15,471
Derivative financial liabilities		**–**	759
Deferred income		**13,653**	–
Financial liability at fair value through profit or loss ("FVTPL")	13	**800,000**	–
Other long-term liabilities		**64,445**	162,912
		1,083,147	246,547
		15,826,841	13,675,253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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

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

Summary of effects arising from initial application of HKFRS 16

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

4 Effective for annual periods beginning on or after 1 January 2020.

3. SEGMENT INFORMATION

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

Segment revenue and results

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

For the year ended 31 December 2019

	The People's Republic of China (the "PRC")	North America	Europe	Asia Pacific	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
External sales	7,605,321	2,757,224	2,231,828	603,816	13,198,189
Segment profit	2,504,003	808,863	618,482	188,786	4,120,134
Investment income					126,389
Other unallocated income, gains and losses					271,213
Unallocated expenses					(2,242,257)
Interest expenses					(157,819)
Share of profits of joint ventures					4,388
Share of losses of associates					(20,770)
Profit before tax					2,101,278
Income tax expense					(336,187)
Profit for the year					1,765,091

For the year ended 31 December 2018

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

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

4. OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
Net foreign exchange loss	**(5,619)**	(14,561)
Fair value changes of derivative financial instruments	**(1,192)**	(22,618)
Fair value changes of other financial assets at FVTPL	**58,978**	35,109
Impairment loss recognised on trade and other receivables	**(1,305)**	(18,497)
Impairment loss for property, plant and equipment	**(12,264)**	(3,560)
Gain (loss) on disposal of property, plant and equipment	**9,661**	(10,459)
Gain on deemed disposal of a subsidiary	**–**	5,814
Gain on deemed disposal of an associate	**836**	–
Compensation from the legal proceeding	**20,346**	–
Impairment loss for investment in an associate	**–**	(58,390)
Total	**69,441**	(87,162)

5. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**377,788**	392,407
Other jurisdictions	**10,665**	11,309
Withholding tax paid	**10,273**	163
	398,726	403,879
Over provision in prior years:		
PRC Enterprise Income Tax	**(52,677)**	(30,671)
Deferred tax:		
Current year credit	**(9,862)**	(39,674)
	336,187	333,534

6. PROFIT FOR THE YEAR

	2019	2018
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**750,881**	620,501
Depreciation of right-of-use assets	**26,365**	–
Amortisation of other intangible assets	**27,979**	23,730
Release of prepaid lease payments	**–**	19,121
	805,225	663,352

7. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2018 Final – HK$0.661		
(2017: final dividend HK$0.850) per share	**667,384**	794,813

At the annual general meeting held on 31 May 2019, a final dividend of HK$0.661 (2018: HK$0.850) per share totalling HK$759,452,000 (equivalent to RMB667,384,000) (2018: HK$973,176,000 (equivalent to RMB794,813,000)) in respect of the year ended 31 December 2018 was approved by the shareholders and subsequently paid to the shareholders of the Company.

8. EARNINGS PER SHARE

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

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**1,690,300**	1,660,636

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,148,318**	1,144,813
Effect of dilutive potential ordinary shares:		
Options	**4,978**	8,633
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,153,296**	1,153,446

9. INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Raw materials	**646,068**	664,207
Work in progress	**545,747**	775,140
Finished goods	**848,161**	516,604
Moulds	**–**	18,529
	2,039,976	1,974,480

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables		
– associates	**15,292**	18,205
– joint ventures	**7,593**	12,064
– non-controlling shareholders of subsidiaries	**38**	1,400
– other related parties*	**342**	1,773
– third parties	**3,324,966**	3,122,044
Less: Allowance for credit losses	**(16,258)**	(37,951)
	3,331,973	3,117,535
Other receivables	**182,487**	200,861
Less: Allowance for credit losses	**(1,769)**	(6,350)
	180,718	194,511
	3,512,691	3,312,046
Prepayments	**567,915**	475,569
Prepaid expense	**22,398**	25,881
Value-added tax recoverable	**137,015**	229,723
Insurance recoverables for loss of property, plant and equipment	**24,403**	46,495
Dividend receivable from an associate	**–**	96,140
Interest receivable	**51,498**	21,541
Total trade and other receivables	**4,315,920**	4,207,395

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

The Group normally grants a credit period of 60 days to 90 days (2018: 60 days to 90 days) to customers effective from the date when the goods are delivered and accepted by customers. The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2019	2018
	RMB'000	*RMB'000*
Age		
0 to 90 days	**3,012,651**	2,880,046
91 to 180 days	**230,558**	166,187
181 to 365 days	**11,951**	53,868
1 to 2 years	**73,261**	10,844
Over 2 years	**3,552**	6,590
	3,331,973	3,117,535

As at 31 December 2019, total bills received amounting to approximately RMB256,647,000 (2018: RMB335,864,000) are held by the Group for settlement of trade receivables, and are measured at FVTOCI. All bills received by the Group are with a maturity period of less than 9 months.

11. CONTRACT ASSETS

	2019	2018
	RMB'000	*RMB'000*
Moulds development	**810,772**	582,333
Less : Allowance for credit losses	**–**	–
	810,772	582,333
Current	**234,230**	–
Non-current	**576,542**	582,333
	810,772	582,333

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

12. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables		
– associates	**38,749**	71,662
– joint ventures	**6,933**	7,252
– non-controlling shareholders of subsidiaries	**8,126**	7,876
– other related parties*	**63,942**	62,919
– third parties	**1,796,868**	1,904,624
	1,914,618	2,054,333
Bill payables	**228,097**	201,906
Other payables		
– associates	**227**	173
– joint ventures	**12**	27
– non-controlling shareholders of subsidiaries	**26,586**	21,648
– other related parties*	**21**	877
	26,846	22,725
	2,169,561	2,278,964
Payroll and welfare payables	**481,355**	383,796
Advance from customers	**4,986**	–
Consideration payable of acquisition of property, plant and equipment	**231,757**	213,746
Technology support services fees payable	**5,985**	4,808
Freight and utilities payable	**87,953**	88,978
Value-added tax payable	**48,218**	36,740
Interest payable	**8,927**	7,436
Deposits received	**5,888**	6,173
Others	**392,062**	270,991
Total trade and other payables	**3,436,692**	3,291,632

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

The average credit period on purchases of goods is 30 days to 90 days (2018: 30 days to 90 days).

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

	2019	2018
	RMB'000	*RMB'000*
Age		
0 to 90 days	**1,748,184**	1,804,626
91 to 180 days	**79,500**	122,441
181 to 365 days	**43,131**	59,439
1 to 2 years	**37,720**	59,678
Over 2 years	**6,083**	8,149
	1,914,618	2,054,333

Bill payables held by the Group as at 31 December 2019 will mature within 6 months (2018: within 8 months).

13. FINANCIAL LIABILITY AT FVTPL

During the year ended 31 December 2019, the Group entered into an agreement with local government funds in the PRC to establish a partnership Jiaxing Minth Equity Investment Partnership Enterprise (Limited Partnership)* (嘉興敏實定向股權投資合夥企業(有限合夥)) ("Jiaxing Partnership") with an operation period of maximum 7 years, whose 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 with variable returns based on fulfilment of certain conditions pursuant to the agreement no later than the expiry of the operation period of Jiaxing Partnership. Therefore, the capital contribution by the local government funds is treated as a financial liability at FVTPL.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the Review Year, the production and sales of passenger vehicles ("PVs") in China amounted to approximately 21,360,000 units and approximately 21,444,000 units, representing a year-on-year decrease of approximately 9.2% and approximately 9.6%, respectively. In terms of market segment, production and sales of sedans decreased by approximately 10.9% and approximately 10.7%, respectively, as compared to the same period last year. Production and sales of SUVs decreased by approximately 6.0% and approximately 6.3%, respectively, and production and sales of MPVs decreased by approximately 18.1% and approximately 20.2%, respectively, as compared to the same period last year. During the Review Year, high-end brands enjoyed accelerating growth in market share. As to customer group, the market shares of Japanese and German OEMs in China grew evidently as compared to the same period last year, while Korean, American and French OEMs continued to decline in market share. Chinese OEMs experienced the most significant decline in market share in the PV market, reporting a decrease of approximately 2.9 percentage points as compared to the same period last year. The production and sales of new-energy vehicles ("NEVs") during the Review Year amounted to approximately 1,242,000 units and approximately 1,206,000 units, respectively, decreasing by approximately 2.3% and approximately 4.0% as compared to the same period last year, respectively.

According to LMC Automotive, global sales of light vehicles recorded a year-on-year decline of approximately 4.4% to approximately 90,270,000 units during the Review Year. Sales of light vehicles in the United States ("U.S.") decreased by approximately 1.3% to approximately 17,048,000 units. The demand continued to shift towards light trucks. Meanwhile, General Motors, Ford and Fiat Chrysler Automobiles were all losing market shares. During the Review Year, PV sales in the European Union ("EU") increased by approximately 1.2% year-on-year to approximately 15,340,000 units. 2019 had an unfavourable start in the EU market owing to the lingering impact of the Worldwide Harmonized Light Vehicles Test Procedure ("WLTP") introduced in September 2018. Nevertheless, strong sales in the last quarter of 2019, in December in particular, ensured a positive full-year performance for the EU market. During the Review Year, PV sales in Brazil grew by approximately 7.6%, year-on-year, to approximately 2,260,000 units, while Russia, Thailand, India and Mexico all reported declines to various extents. In particular, sales of light vehicles in Russia decreased by approximately 2.3% to approximately 1,760,000 units; sales of light vehicles in Thailand recorded a year-on-year decline of approximately 3.3% to approximately 1,010,000 units; PV sales in India decreased by approximately 13.0%, year-on-year, to approximately 2,960,000 units; sales of light vehicles in Mexico decreased by approximately, year-on-year, 7.7% to approximately 1,320,000 units.

COMPANY OVERVIEW

The Group is primarily engaged in the design, manufacture and sales of trims, decorative parts, body structural parts, roof racks, battery housing and other related auto parts. The Group's manufacturing bases are principally located in China, the U.S., Mexico, Thailand and Germany, and in Serbia and the United Kingdom ("U.K.") where production plants are under planning and construction. They are complemented by research and development ("R&D"), sales and design centres in China, Germany, the U.S. and Japan, in a move to facilitate product development and market expansion by fully leveraging the benefit of geographic proximity. The ongoing growth and expansion of the Group has enabled it to serve major automotive markets around the world and to fully understand and fulfill the demand of its customers.

During the Review Year, the Group underwent organisational transformation by establishing the four product business units ("BUs"), including plastic products, aluminium products, metal and trim products and battery housing, to further facilitate its global product strategy and deployment, build its leading position in technology, enhance its core product competitiveness in the global market and support its sustainable development. The Group has consolidated plants with similar manufacturing processes to enhance its global operational capabilities and ensure its long-term development. The Group will continue to make improvements to the operational management system and global deployment of its BUs. By coordinating its BUs from the preliminary stages of strategic planning and product deployment, formulation of principles and plans and participation in decision making regarding product R&D, to the latter stages of obtaining and making decisions on business orders, the Group will always strive for professional and long-term development of its plants and to continue enhancing its global competitiveness. The Group will also integrate the value chains of different modules and product development resources in domestic and overseas markets, to ultimately gain competitive edges and realise global resources sharing.

During the Review Year, the Group continued to drive the implementation of the Minth Operation Excellence System ("MOS") with strong efforts, and promoted the construction of MOS at its domestic and overseas plants in further depth and wider scopes to achieve operational and management changes from responsive mode to preemptive mode. MOS was continuously improved and integrated to help the Group achieve progress in standardised operations. Assessment of the plants in seven dimensions was conducted to ensure the effectiveness of MOS implementation at all plants and proper execution at all BUs and plants. Benchmark plants for each BU were nominated to form the prototype MOS with Minth characteristics. Benchmark MOS lines for workshop, quality, logistics and total productive maintenance ("TPM") pillars have been completed in respect of all major products and Bronze Level certification was awarded to plants that have reached the relevant standards. The Company intends to train MOS specialists through learning, application, teaching and testing to meet the Group's expected requirements.

The Group will develop the data standardisation system, business process system and operational management platform through the optimisation, upgrade and global integration of its ERP system in support of the Group's globalised operation and sustainable outstanding performance. By standardising the management control module, the Group will form "one uniform business process, one uniform set of data standards, one system platform" on a global basis and will nurture "one professional team". Through the integration of the ERP and the manufacturing execution system ("MES"), the Group will enhance its support for the upgrade of its existing plants and formulate a mechanism for standardised management of BUs and quick response to both internal and external customers, which will assist its digitalised operation and intelligent decision-making and provide IT support for its MOS.

In terms of Future Factory planning, construction of the Group's Future Factory in Jiaxing officially commenced during the Review Year, as did the planning for intelligent industrial parks in Ningbo, Wuhan, Qingyuan, Serbia and the U.S. The people-oriented Future Factory planning of the Group mainly focused on flexible automation, digitalisation and intelligent features, aiming for comprehensive improvements in the plants, layouts, logistics, production technologies, production management and safety and environmental protection, which would contribute to the development of a brand new industrial ecology featuring the beauty of intelligent manufacturing, humanistic care and eco-friendliness, ultimately facilitating the Group's transformation and upgrading towards digitalisation.

The Group closely monitored the development of the automobile industry and proactively rose to the challenges presented by the Sino-U.S. trade war, slowdown in economic growth and national macro-economic policies. The Group implemented strategic layout and planning by leveraging development trends in the global industry and the trend of weight reduction, intelligence and electrification for automobiles, and taking into account global policies related to the NEV industry. The Group ensured its stable development in the long term through ongoing expansion into new product segments. Meanwhile, the Group consistently advanced the competitiveness of its traditional products and sought to increase their global market shares through measures such as cost optimisation and quality enhancement.

During the Review Year, in addition to ongoing improvements to the development and execution of an overall risk-oriented internal control system centring around its development strategy, the Group also placed a strong emphasis on its ability to cope with external risks and changes, and it planned to upgrade the informatisation level of risk management and internal supervision which was an important part of the Group's information-based management control, in order to manage potential risks in a more systematic and effective manner. During the Review Year, the Group completed the revision of its authorisation framework system as required by its organisational reforms, conducted reviews on the efficiency of process control and made ongoing optimisation, and perfected its internal control and management model to continuously raise its standard of risk control and reasonably ensure that potential risks are controlled within applicable tolerance level. The Group also persistently ensured that sufficient resources were allocated to the enhancement of its internal audit function, with a view to assuring the independence of such function and improving its efficiency and compliance level. The Group continued to promote the improvement of and supervise the effectiveness of all-round risk management at all functional departments and operating units by integrating risk management into the Group's day-to-day operations and core value chain. In particular, continuous progress was made in the areas of procurement and supplier management, anti-fraud measures and compliance management. Meanwhile, the Group was highly concerned with the development of systems and capabilities for the prevention and thwarting of bribery, and it sought to strengthen cooperation with the police and promote mutual assistance among industry peers. Such measures have effectively assured and facilitated the Group's sustainable and stable development.

BUSINESS AND OPERATION LAYOUT

The Group's revenue for the Review Year amounted to approximately RMB13,198,189,000, representing an increase of approximately 5.1% as compared with approximately RMB12,553,202,000 for 2018. The Group's domestic revenue for the Review Year amounted to approximately RMB7,605,321,000, representing a decrease by approximately 0.5% as compared with approximately RMB7,640,167,000 in 2018. Despite the doldrums of China's PV market with a decline in production volume by approximately 9.2%, the Group's domestic revenue was not notably affected thanks to the outstanding performance of the Group's Japanese and European OEM customers in the Chinese market. The Group's overseas revenue for the Review Year amounted to approximately RMB5,592,868,000, representing an increase of approximately 13.8% as compared with approximately RMB4,913,035,000 in 2018, which was mainly attributable to the ongoing business expansion among European OEMs globally.

During the Review Year, the Group reported record-high new business intakes again. On top of assuring its market share for traditional products, the Group also made significant breakthrough in the promotion of innovative products. In particular, there was a surge in the battery housing business, and the Group entered the electric vehicle supplier systems of numerous European, Japanese, U.S. and Chinese OEMs, including names such as Renault, BMW, Daimler, Volvo, Jaguar Land Rover, Nissan, Honda and Ford, with orders spanning from the Chinese to the European markets. The Group also secured further market expansion for its products related to the adaptive cruise control system ("ACC") with orders from several Japanese and European OEMs, which would help to lay the foundation for the launch of self-driving vehicles by OEMs. Moreover, the Group has also made significant progress in new processes and technologies with the successful production of traditional trims with double inserts and multicolor modes and the application of the laser-welding process for roll-forming window-frame, thereby creating a technological barrier for competitors. In terms of customers, benefiting from the rapid development of its battery housing business, the Group's share among European OEMs increased substantially, while its business with American OEMs also enjoyed stable development, underpinned by breakthrough in the roof rack business with one customer in North America and the first order of the large-sized grille for one of the pickup truck models of another customer in North America. The Group's overseas business with Japanese and Korean OEMs also reported further expansion. The Group entered the global supplier system of one Japanese customer and secured global roof rack orders, while further increasing its supply of camera modules to another Japanese customer. The Group continued to consolidate its trim product businesses with Korean OEMs, while being admitted to their overseas supplier system for decorative parts and receiving orders for pillar covers.

During the Review Year, the Group put in its full effort to promote new products, new technologies and new materials to its customers. The Group's R&D and business teams joined forces to exchange ideas with its customers on technical solutions and pursued market development for new products such as battery housing, door system, intelligent front face, tailgate system, new mechanical and electrical products and camera module. The ongoing development of innovative products has provided assurance for the sustainable growth of the Group's turnover. In particular, the Group received ample orders for new products such as battery housing, aluminium door frame, ACC emblem and grille and roller shutter. Meanwhile, the Group has continued to improve the competitiveness of its traditional products in terms of cost and quality through the application of advanced manufacturing technologies, upgrade of existing production models and optimisation of processing techniques, in a bid to increase its coverage across all types of customers and products.

During the Review Year, a number of the Group's plants in Jiaxing, Huai'an, Wuhan, Guangzhou and Tianjin were honoured with supplier excellence awards, as they won customers' recognition for their outstanding performance in terms of product quality, cost, after-sales services and team execution. During the Review Year, the Group was confronted with a severe macro-business environment, the stagnant traditional automobile industry, as well as the fact that additional tariff for the export of the Group's relevant products from China to the U.S. was raised from 10% to 25% starting from June 2019 as the Sino-U.S. trade war waged on, resulting in an increase in the Group's cost to some extent. Nevertheless, the Group was able to mitigate the impact of the tariff through ongoing improvements in its global layout and business strategies and planning coupled with prompt response and proactive measures, such as optimisation and realignment in product planning and production capacity (prioritising the optimisation of mass produced products) and merger of smaller plants.

During the Review Year, the aluminium battery housing production lines at the Group's plants in Shenyang, Zhengzhou and Anji of China became ready for mass production following the completion of their construction. In addition, the construction of a new surface treatment plant has commenced in the U.S. and investment in a painting line and a chrome plating line was made at the initial stage. Meanwhile, the Group also started the construction of the production base for battery housing, aluminium door frame and traditional aluminium products in Serbia during the Review Year, while also planning for the construction of aluminium door frame production lines in the U.K. and the U.S. Such constructions will further enhance the global competitiveness and complete the layout of the Group's aluminium products. In addition, the Group continued to pursue capacity expansion and optimisation in China, Thailand, Mexico and Germany, such as the addition of a painting line in its Tianjin plant, further investment in the painting line at its Thailand plant, and the addition of an extrusion line and capacity improvement of the anodizing line at its Mexico plant, to further bump up the Group's overall operational efficiency.

During the Review Year, the Group made improvements to the R&D and manufacturing technologies of battery housing through working with domestic and foreign professional teams. In addition, the Group supported its overseas plants during the Review Year by deploying key technical and management personnel as well as grooming local talents with specialised skills, including personnel for aluminium extrusion, specialised personnel for aluminium door frame, high-calibre production management staff and others, which resulted in substantial improvements in general efficiency and profitability for the overseas plants. Meanwhile, the Group fulfilled the ever-increasing demand of customers while also meeting the requirements of its own business development through organisational adjustment and optimisation.

During the Review Year, based on its environment, safety and occupational health ("EHS") management system, the Group continued to improve its performance in EHS management. Waste water discharge, gas emissions and noise levels as well as the disposal of hazardous wastes were compliant with the required standards. The Group continued to promote the development of low-pollution, energy-efficient and high-yield production processes, launch a range of energy-saving and emission-reduction projects, and encourage the use of environmental-friendly raw and auxiliary materials. The Group continued to build various water recovery facilities to reduce water consumption and discharge, carry out the ongoing initiatives on heat recovery to lower gas consumption and carbon emission, and vigorously implement heat pump technology at its plants to reduce power consumption, endeavoring to build clean factories and green factories.

In connection with occupational health and safety, the Group continued to seek progress in inspection of equipment safety, inspection of modifications in 4M (man, material, method and machine), training and delegation for high-risk positions, tier-based inspection and examination and audit by level during the Review Year to ensure the intrinsic safety of the Group. Staff safety and occupational health trainings were arranged to enhance staff awareness of and capability for the prevention of accidents, while emergency drills and family safety activities were held on a regular basis to improve staff's ability to address contingencies. The Group organised both internal audit and third party's external audit on EHS system, as well as third party's assessment on fire prevention setups, so as to ensure the efficient operation of its EHS system. The Group also actively conducted tests and inspection on occupational hazard and made improvements to the filing of its staff's occupational health status with a view to providing a safe and healthy workplace for employees.

During the Review Year, the Group established a new subsidiary in Korea to support local design, project development, market research and customer information updates in Korea, so as to promote business development. In the meantime, several wholly-owned subsidiaries were also established in China to support the production of battery housing.

Research and Development

During the Review Year, the Group continued to drive the development of innovative products and technological upgrade on the back of its traditional products, and cemented its strong position in key products such as aluminium door frame, battery housing, ACC emblem, active grille shutter and plastic tailgate, while strengthening the R&D of new segments such as intelligent exterior decorative products and composite structural parts. In the meantime, the Group was working towards the modularisation of its innovative products. The Group continued to increase its investment in innovative R&D, as it further enhanced cooperation among its global innovative R&D teams, including those based in China, Germany, Japan and the U.S., and integrated advanced technological resources globally to achieve breakthroughs in weight reduction, intelligence and electrification, so as to establish a leading role in the market with the launch of innovative products and foster core product competitiveness with the benefit of advanced production processes and technologies.

During the Review Year, the Group delivered strong results for various new products, securing orders from a number of customers. In particular, as to the R&D and design capability of battery housing, the Group won recognition from major global OEMs, entered into the platforms of several European and Japanese OEMs, and obtained multiple global orders, thus becoming one of the largest aluminium battery housing suppliers in the world. The Group's global development of aluminium door frame progressed smoothly, with such projects successively reaching the level of mass production. The R&D of the Group's intelligent exterior decorative products, including ACC emblem and grille, intelligent pillar, active grille shutter and grille with charge port, were also progressing smoothly and obtained a number of project nominations. In the meantime, the Group carried on with the R&D of plastic tailgate and light-weight door system, on the basis of which patent applications were made in respect of a comprehensive range of advanced technologies. Mass production of roller shutters commenced following smooth progress in such project development. In future, the Group will be engaged in further in-depth communication with OEMs on technological issues and seek further business development. The Group remained an industry leader in water-assisted injection moulded roof rack and laser-welded door frame after obtaining multiple global orders for these products.

During the Review Year, the Group persisted with technological and product innovation, providing strong support for the automobile industry as the sector intended to pursue development through structural adjustments. Faced with increasing demand for concurrent design from global customers, the Group made its best endeavours and constantly integrated global design resources and advanced technologies available at home and abroad to bolster its capability in global concurrent design. The Group continued to increase both overseas dispatch and local design services and gave full play to the advantages afforded by the master data management system and product data management system to improve the global network for concurrent design, so that the Group could provide powerful technical support and services to global OEMs, thereby strengthening its position as the preferred supplier to OEMs.

During the Review Year, in terms of process and technological innovation, the Group was engaged in the all-dimension optimisation of its metal forming process, high molecular moulding process and bonding technique. In particular, breakthroughs were made in respect of several key technologies specific to battery housing products. The Group also independently made breakthroughs in relevant production techniques, and introduced top-tier equipment and manufacturing technologies to ensure the quality of the battery housing products in mass production and pioneered in the development of battery housing technologies. On this basis, the Group has built laboratories in association with several top-tier international equipment suppliers to fully capitalise on the external as well as internal resources for efficient innovation and mutual benefits through cooperation.

During the Review Year, the Group set up a material R&D centre focusing on the R&D of aluminium alloy, composite materials and materials for intelligent exterior decorative products etc., with a special emphasis on the R&D of technologies for aluminium structural profiles. The Group was engaged in in-depth cooperation with domestic and overseas colleges and universities, making full use of the expertise available at these institutions to continuously enhance the capabilities of processing technology and innovation regarding aluminium profiles. Groundbreaking progress was made in the research of aluminium materials, as the Group independently developed aluminium structural profiles with various levels of energy absorption which were qualified by OEMs such as BMW and Daimler and became fully eligible for use in the battery housing and aluminium body structural parts of NEVs, resulting in a boost to the competitiveness of the Company's new products. Moreover, the Group formulated specific directions for the development and application of high molecular materials, with successes in the development of a number of functional materials, composite materials and environmental-friendly materials.

In terms of surface treatment technologies, the Group continued with developments in environmental protection, cost optimisation and technological innovation during the Review Year. In respect of traditional surface treatment process, the Group gradually introduced various novel environmental-friendly production processes, and further improved its chrome plating, painting and anodizing processes hence raising the overall product yield. Meanwhile, the Group also achieved energy conservation and cost reduction by adopting measures to lower equipment maintenance costs. In addition, to cater to the trend of automobile intelligence and customisation, the Group made a prospective move to plan for and conduct in-depth research on novel surface treatment processes independently, established a strong R&D team on surface treatment technologies, and focused on stepping up with the conversion of the production technologies for innovative products into productivity so as to continue to stay atop of the peers in terms of surface treatment technologies.

During the Review Year, the Group's R&D Centre reported positive outcomes for a number of projects from its active cooperation with domestic and foreign professional colleges and research institutions. The Group also achieved outstanding results in the practices of integrating industrialisation with informatisation, and successfully implemented a unified and globally-shared product data management system to exercise effective control over the benchmarks of development. The Group integrated its controlled data exchange systems, set up a safer and more convenient mechanism for data exchange and sharing, as well as established and improved the environment for data exchange relating to customers' concurrent designs, thereby winning the trust and support of its customers.

In addition, the Group continued to optimise the structure of its R&D organisation during the Review Year, and brought in core technical experts as well as cultivated and reserved global talents, core technical personnel and management teams, while strengthening technological research with a view to leading the market by virtue of technological innovation, and enhancing innovative R&D for new products, new materials and new processes to support its continuous new product offerings. The Group attaches great importance to intellectual property rights and the protection of deliverables at all stages of R&D, and conducts patent retrieval analysis throughout the entire R&D process. During the Review Year, 217 patent applications were filed for approval, among which 90 applications were related to invention patents (including 7 international PCT patents and 2 applications in Mexico). The Group also received for the first time the Award of Excellence of the Zhejiang Patent Innovation Contest. The Group carried out its planning for the intellectual property protection of key projects on a global basis by enhancing the protection system for completing the registration of overseas intellectual property rights, which provided solid technical support for its new business expansion. Multiple key projects were successively granted international licences during the Review Year, signifying that the Group's deployment in intellectual property rights was officially on the track of internationalisation.

FINANCIAL REVIEW

RESULTS

During the Review Year, the Group's revenue amounted to approximately RMB13,198,189,000, representing an increase of approximately 5.1% from approximately RMB12,553,202,000 in 2018. The Group reported a slight decline in business in China owing to the PV market downturn in China during the Review Year, while sustaining sound business growth in Europe and North America.

During the Review Year, the profit attributable to owners of the Company amounted to approximately RMB1,690,300,000, representing an increase of approximately 1.8% from approximately RMB1,660,636,000 in 2018. It was mainly attributable to sustainable and steady growth of revenue, together with the emphasis on control of costs, which resulted in an increase of gross profit for the Group during the Review year. Meanwhile, the negative impact of the increase in administrative expenses and research expenditure was offset by an increase in other gains and losses compared with that of 2018. Thus, the Group managed to maintain a favourable profitability in general.

Sales of Products

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

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

	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Customer category				
The PRC	**7,605,321**	**57.6**	7,640,167	60.9
North America	**2,757,224**	**20.9**	2,376,580	18.9
Europe	**2,231,828**	**16.9**	1,890,297	15.1
Asia Pacific	**603,816**	**4.6**	646,158	5.1
Total	**13,198,189**	**100.0**	12,553,202	100.0

Revenue from Overseas Markets

During the Review Year, the Group's revenue from overseas markets amounted to approximately RMB5,592,868,000, representing an increase of approximately 13.8% from approximately RMB4,913,035,000 in 2018. It accounted for approximately 42.4% of the total revenue of the Group in the Review Year, representing an increase when compared to approximately 39.1% in 2018.

Gross Profit

During the Review Year, the Group's gross profit was approximately RMB4,121,439,000, representing a growth of approximately 2.4% from approximately RMB4,023,023,000 in 2018. The gross profit margin was approximately 31.2% in the Review Year, representing a decrease of approximately 0.8% from approximately 32.0% in 2018. Such decrease was mainly attributable to the insufficient production and sales of PV market in China, which resulted in lower utilisation of production capacity of the Group, and the pressures resulting from ASP decline of products for old models and higher tariffs on China imposed by the U.S. faced by the Group during the Review Year. To address these, the Group further improved its production efficiency and production yield by adopting measures, such as continuous reduction in procurement costs and lean production and technology upgrade, which resulted in the overall gross profit margin remaining at a decent level.

Investment Income

During the Review Year, the investment income of the Group was approximately RMB126,389,000, representing an increase of approximately RMB17,508,000 from approximately RMB108,881,000 in 2018. It was mainly attributable to an increase in the interest income of the Group.

Other Income

During the Review Year, the other income of the Group amounted to approximately RMB200,467,000, representing an increase of approximately RMB21,183,000 from approximately RMB179,284,000 in 2018. It was mainly attributable to an increase in government grants related to income.

Other Gains and Losses

During the Review Year, the Group's other gains and losses amounted to a net gain of approximately RMB69,441,000, representing an increase of approximately RMB156,603,000 as compared to the net loss of approximately RMB87,162,000 in 2018. It was mainly attributable to the impairment loss for investment in an associate in 2018, while there was no such loss recorded during the Review Year, as well as the compensation from the SFC legal proceeding during the Review Year.

Distribution and Selling Expenses

During the Review Year, the Group's distribution and selling expenses were approximately RMB538,679,000, representing an increase of approximately RMB19,004,000 from approximately RMB519,675,000 in 2018. It accounted for approximately 4.1% of the Group's revenue, which was similar to approximately 4.1% in 2018. It was mainly attributable to the stringent control of distribution and selling expenses with an increase in revenue for the Group during the Review Year, which resulted in the percentage of revenue remaining at a favourable level.

Administrative Expenses

During the Review Year, the Group's administrative expenses amounted to approximately RMB1,048,052,000, representing an increase of approximately RMB106,954,000 from approximately RMB941,098,000 in 2018. It accounted for approximately 7.9% of the revenue of the Group, representing an increase of approximately 0.4% from approximately 7.5% in 2018. It was mainly attributable to higher labour costs as a result of the increase in staff remuneration to maintain competitiveness as well as the recruitment of additional employees to facilitate ongoing globalisation and establishment of new plants during the Review Year.

Research Expenditure

During the Review Year, the research expenditure of the Group amounted to approximately RMB655,526,000, representing an increase of approximately RMB64,917,000 from approximately RMB590,609,000 in 2018. It accounted for approximately 5.0% of the revenue of the Group, representing an increase of approximately 0.3% from approximately 4.7% in 2018. It was mainly attributable to an increase in labour costs arising from the Group's recruitment of high-level R&D personnel to enhance R&D capabilities to maintain its market competitiveness and sustainable development, as well as an increase in R&D investment to continuously promote the R&D on battery housing and other innovative products.

Share of Profits (Losses) of Joint Ventures

During the Review Year, the Group's share of profits (losses) of joint ventures recorded a net gain of approximately of RMB4,388,000, representing an increase of approximately RMB10,798,000 as compared to a net loss of approximately RMB6,410,000 in 2018, which was mainly attributable to an increase in profit from one of the joint ventures because of its commencement of mass production during the Review Year.

Share of (Losses) Profits of Associates

During the Review Year, the Group's share of (losses) profits of associates amounted to a net loss of approximately RMB20,770,000, representing a decrease of approximately RMB38,117,000 from a net gain of approximately RMB17,347,000 in 2018. It was mainly attributable to the fact that a former associate became a non-wholly owned subsidiary and an associate increased its loss during the Review Year.

Income Tax Expense

During the Review Year, the Group's income tax expense was approximately RMB336,187,000, representing an increase of approximately RMB2,653,000 from approximately RMB333,534,000 in 2018.

During the Review Year, the effective tax rate was approximately 16.0%, representing a decrease of approximately 0.3% from approximately 16.3% in 2018.

Profits Attributable to Non-controlling Interests

During the Review Year, the Group's profits attributable to non-controlling interests were approximately RMB74,791,000, representing an increase of approximately RMB22,887,000 from approximately RMB51,904,000 in 2018. It was mainly attributable to the fact that a former associate became a non-wholly owned subsidiary during the Review Year.

Liquidity and Financial Resources

As of 31 December 2019, the Group's total bank balances and cash amounted to approximately RMB5,687,234,000, representing an increase of approximately RMB1,165,364,000 as compared to approximately RMB4,521,870,000 as of 31 December 2018. As of 31 December 2019, the Group's low-cost borrowings amounted to approximately RMB4,138,998,000, among which the equivalent of approximately RMB1,693,524,000, approximately RMB1,622,315,000, approximately RMB607,264,000, approximately RMB136,654,000, approximately RMB45,201,000 and approximately RMB34,040,000 were denominated in RMB, US Dollar ("USD"), Euro ("EUR"), Thai Baht ("THB"), Great Britain Pound and Hong Kong Dollar ("HKD") respectively, representing an increase of approximately RMB47,868,000 as compared to approximately RMB4,091,130,000 as of 31 December 2018. It was mainly the result of borrowings after considering the consolidated gains from exchange rates, interest rates and capital management by the Group.

During the Review Year, the net cash flow from the Group's operating activities was approximately RMB2,383,992,000, indicating a sound cash flow condition.

During the review year, the Group's trade receivables turnover days were approximately 86 days, extending by approximately 3 days from approximately 83 days in 2018, which was mainly attributable to the fact that proportional increase in the average balance of trade receivables was higher than revenue growth during the Review Year. The increase in the average balance of trade receivables was mainly due to the increase in the closing balance of trade receivables during the Review Year as compared to the opening balance in 2018.

During the Review Year, the Group's trade payables turnover days were approximately 78 days, extending by approximately 4 days from approximately 74 days in 2018, which was mainly attributable to the extended supplier payment cycle due to the Group's active negotiations with the suppliers and the changes in settlement methods towards the suppliers.

During the Review Year, the Group's inventory turnover days were approximately 81 days, increasing by approximately 5 days from approximately 76 days in 2018, which was mainly attributable to an increase in the inventory of moulds in line with the increase in new projects under development and an increase of inventory reserves in consideration of Chinese Spring Festival.

The Group's current ratio was approximately 1.6 as of 31 December 2019, increasing by approximately 0.1 from approximately 1.5 as of 31 December 2018. As of 31 December 2019, the Group's gearing ratio was approximately 21.2% (31 December 2018: approximately 20.0%), which was a percentage based on the interest bearing borrowings divided by total assets.

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

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

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

COMMITMENTS

As at 31 December 2019, the Group had the following commitments:

	RMB'000
Capital commitment	
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:	
Acquisition of property, plant and equipment	**333,316**

INTEREST RATE AND FOREIGN EXCHANGE RISKS

As at 31 December 2019, the balance of bank borrowings of the Group was approximately RMB4,138,998,000, of which RMB550,000,000 was bearing at fixed interest rates and approximately RMB3,588,998,000 was bearing at floating interest rates. The aforesaid borrowings had no seasonality features. In addition, approximately RMB1,429,615,000 of the aforesaid borrowings was denominated in currencies other than the functional currencies of the Group's related entities, of which the equivalent of approximately RMB788,311,000, approximately RMB607,264,000 and approximately RMB34,040,000 were denominated in USD, EUR and HKD respectively.

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

As at 31 December 2019, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB260,778,000, of which approximately RMB165,948,000 was denominated in USD, approximately RMB50,372,000 was denominated in EUR, approximately RMB32,491,000 was denominated in Japanese Yen, approximately RMB8,055,000 was denominated in HKD, approximately RMB3,850,000 was denominated in Mexico Peso and the remainder of approximately RMB62,000 was denominated in other foreign currencies.

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

CONTINGENT LIABILITIES

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

MORTGAGED ASSETS

As of 31 December 2019, the Group had borrowings of RMB50,000,000 and issued bill payables of approximately RMB228,097,000 due within 6 months, which were pledged by bill receivables with par value of approximately RMB260,959,000 and bank deposits of RMB500,000. The borrowings are to be settled in RMB (31 December 2018: the Group had borrowings of RMB150,000,000 and issued bill payables of approximately RMB201,906,000 due within 8 months, which were pledged by bill receivables with par value of approximately RMB203,283,000, bank deposits of USD5,500,000 and RMB12,000,000. The borrowings are to be settled in RMB).

CAPITAL EXPENDITURE

Capital expenditure includes the acquisition of property, plant and equipment, the increase in construction in progress and the addition of land use rights. During the Review Year, the Group's capital expenditure amounted to approximately RMB1,674,703,000 (2018: approximately RMB2,226,620,000). During the Review Year, the Group exercised prudent control over the capital expenditure in accordance with the asset-light strategy, and adopted a stringent approval process in respect of investments in fixed assets for traditional product lines, aiming at lean production and maximum profitability while further expanding new product R&D and production capacity layout, which partially offset the impact of the lower utilisation of production capacity resulting from the downturn of PV market in China.

PLACING AND SUBSCRIPTION

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

EMPLOYEES

As of 31 December 2019, the Group had a total of 17,740 employees, which was 651 less as compared to that as of 31 December 2018. The decrease was mainly attributable to the optimisation of the Group's organisational structure, the advancement of automation and technical upgrade, the improvement of staff efficiency and the optimisation of the staffing structure and labour employment model.

During the Review Year, the Group continued to uphold its core values and culture of love. Through a wide range of overall wellness programmes, such as cultural consensus camp, practice of values, corporate culture stories, relationship skills camp and training for parents, the Group took solid actions to care for the "soft power" of its staff and their families, encouraged them to practice what they believe in and share the core values of the Company, in an effort to achieve overall wellness and fulfill their own potentials so that they could inspire others through their own improvements.

During the Review Year, the Group introduced organisational optimisation on all fronts to reinforce the business functions and improve its global organisational management. The Group pushed forward the reform and implementation of the BUs, and optimised the organisational management of their functions to establish an initial sharing platform. The Group sought to drive sustainable growth with right strategies, and enhance the achievements of BUs in terms of global deployment, competitive edges, leading technologies, global resources sharing and the best production line through management restructuring.

During the Review Year, the Group continued to progress in terms of talent acquisition, and stepped up with efforts in building employer brand. The Group continued to encourage managers to strengthen talent cultivation through Talent Development Review and Personal Development Planning, and further bolster the talent development system through the MOS System. The Group adopted a talent cultivation approach that combined training and practices, through which over 200 potential talents experienced expedited growth by way of activity-based learning, overseas rotation, mentorships and customised one-on-one development mentoring to build the Minth 4.0 talent echelon. In the meantime, overall wellness and global mobility were included as criteria for senior management promotion, with a view to nurture managers with all-round leadership competence and global perspective. To support the Group's new businesses and overseas expansion, key management and technical personnel were recruited and overseas recruitment channels were developed to complete the establishment of new organisations and teams with high efficiency and quality. The Group's human resources ("HR") management system was further improved, and resource sharing between domestic and overseas operations and prompt response were realised through institutionalised meetings and specific initiatives. The shared HR platform was further strengthened, while improvements were made to the standards and codes in recruitment, HR informatisation and elementary personnel management.

In 2020, the Group will continue to optimise the global operational organisation of its BUs and upgrade the management capability of its global organisation, and seek to enhance its delicacy management and global management levels comprehensively based on a management model combining matrices, processes and projects. The Group will continue to engage in innovative recruitment to satisfy more stringent HR requirements in the course of globalised development. Meanwhile, the Group will beef up the capability of overseas recruitment as well as expand overseas recruitment channels.

The HR informatisation at new overseas factories will be strengthened by the establishment of a platform for big data statistics and analysis to help improve operational efficiency. Moreover, the application scenario and man-machine interface of the systems will be optimised to provide better staff and user experience. The Group will continue to propel innovation in performance management and reforms in the salary structure, aiming to optimise the salary adjustment mechanism for more accurate revisions. The Group will also adopt a more competitive medium- to long-term staff incentive policy and retention policy for key personnel.

In 2020, the Group will continue to adhere to its HR mission of motivating staff to unleash their potential for the future by making continuous improvements to the talents grooming approach which combines its strategic HR planning with training arrangements, while building with meticulous effort the foundation of a global leadership development system to foster leadership capabilities of its overseas operations. As requested by the organisational development, the Group will focus on the building of a core and global team with technical, professional and digitalised talents, in order to procure a strategic international deployment of talents in support of the Group's globalised business operations. A digitalised learning platform will be developed to facilitate knowledge co-building and sharing on a global basis, while an international diversified training team with diverse backgrounds will be formed to serve talent development. The core corporate values and culture of love will be promoted on a global basis, the future leadership training programme for kids of Minth staff will be upgraded, the larger family scheme featuring nurseries and university for the aged will be gradually implemented, among others, with the aim of building a unique cultural brand of the Group as well as enabling overall wellness of its employees, which in turn is expected to contribute to the Group's rapid and sound development.

SHARE OPTION SCHEME

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

FUTURE PROSPECTS AND STRATEGIES

During the Review Year, China continued to report negative growth in automobile sales amidst lacklustre economic growth. There was a slowdown in overall growth rate of the macro-economy, a decrease in personal income and consumer expectation and the Sino-U.S. trade friction all affected consumer confidence. In addition, with an imminent need to alleviate pressure on environment protection, certain regions in China had brought forth the application of China VI Emission Standards. As a result, OEMs found themselves caught in a difficult situation of having to suspend the production of many models in advance and adjust their model launches. The clear-out of vehicle models under China V Emission Standards at substantially discounted prices also dragged down the overall automobile price level. Despite the more stringent emission standards of China VI, the transition of the joint venture brands from China V to China VI Emission Standards was rather smooth, while a number of Chinese brands were losing market shares owing to the temporary suspension of supply of their product series. In respect of NEVs, there was a significant decline in the second half of the year following the retreat of government subsidies. Looking forward to 2020, many consulting agencies had earlier predicted gradual recovery of the Chinese automobile industry in the forthcoming years, but the unexpected outbreak of the COVID-19 pandemic cast a shadow over the market in the short term, which hindered the automobile supply chain in production and delivery, and might change consumers' purchasing power and consumption habit on automobiles, thus impacting the automobile sales. Prospects for the full year are less than optimistic with a probable rate of decline comparable to 2019.

During the Review Year, the PV markets in the world's major economies were generally subject to pressure in growth. Among the developed markets, the European PV market delivered slight growth as the impact of WLTP implementation began to wane, while automobile sales in Europe are expected to decrease in 2020 in view of numerous factors, including Brexit and more stringent carbon emission thresholds. The U.S. market experienced a slight decline. Given uncertainties associated with U.S. trade agreements with other countries and related policies coupled with the inflationary pressure facing the U.S. and business pressure facing the U.S. OEMs, U.S. automobile sales are expected to dwindle slightly in 2020. Among the emerging markets, Brazil is hopeful of sound growth, while narrow declines are expected for the automobile markets of Thailand, India and Russia.

Electrification, intelligence, connectivity and sharing, alternatively known as the "four disruptive trends", have formed an important direction for the automobile industry as they continue to develop. Changes associated with the "four disruptive trends" have brought about opportunities as well as uncertainties. Traditional automobile companies have to commit huge R&D expenditure to realise electrification and intelligence, while new market entrants may not become profitable within a short period of time. Merger and acquisition, reorganisation, joint venture, risk-sharing arrangement, and reducing R&D costs through economies of scale have become the most advisable approaches for automobile companies. Cross-disciplinary cooperation has become a dominant trend. For instance, some automobile enterprises are collaborating with Internet companies and ride hailing companies, implying the automobile industry is being reshaped by the "four disruptive trends". Such changes suggest that the business model is no longer solely constrained within the automobile sector, but is looking at horizontal expansion and diversification. The boundary between the automobile company and the supplier will become increasingly blurred with overlapping areas, and the value pool will also be shifting. To ensure profitability, traditional automobile parts suppliers will also need to expedite their transformation in tandem with the "four disruptive trends".

In 2020, the Group will continue to roll out the implementation of BUs in respect of product development, production and plant integration, etc., to enhance its operation capability. The Group will foster competitive advantages in technology, cost, staff efficiency and resource application, and seek betterment in its overseas operations to enhance its global operation capabilities. With the production kickoff of its new plants and production lines in overseas locations, the Group will focus on enhancing the profitability of overseas plants. In addition, the Group will also strengthen the execution ability of its EHS department and optimise its EHS team to provide an industry benchmark for intrinsic safety and green manufacturing. The Group will enhance the training of overseas operation personnel to meet the requirements of the overseas plants, while forging core operation talent team. The Group will also improve its standard of delicacy management and global management on all fronts based on a management model combining matrices, processes and projects.

The Group will continue to carry forward the implementation of MOS in a systematic and standardised manner at its domestic and overseas plants. The Group will build a MOS implementation organisation with BUs as its kernel and form core MOS specialist teams for each BU. Through learning and replications within the same BU or across different BUs, the operational capability of the plants will be swiftly enhanced. In the meantime, an intelligent lean system with Minth characteristics will be developed with the support of SAP and MES. Meanwhile, the Group will comprehensively proceed with the planning and construction of digital transformation and upgrading, including the introduction of advanced technologies in intelligent manufacturing and strategic cooperation with top-tier global technology corporations. The Group will learn from the best practice in construction of intelligent industrial park and employ state-of-the-art technologies to bring about the best humanistic experience, with a view to developing its Future Factory into a benchmark in digital transformation and upgrading among small and medium-sized enterprises in China.

The Group will closely monitor changes in the macro environment of the automobile industry and address the severe conditions of the industry in a proactive manner. The Group will roll out strategic deployment to capitalise on opportunities presented by the global development of the industry, taking into account global policies on NEV related industries and the "four disruptive trends" of the automobile industry. The Group will ensure its stable development in the long term through R&D on new products, new technologies and new materials and expansion into new product segments. Meanwhile, the Group will further enhance the competitiveness of its traditional products and consolidate its leading position as a global supplier for traditional products through cost optimisation, quality enhancement and the extension and upgrade of existing process technologies.

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

During the Review Year, 3,737,500 Share Options were exercised by grantees of the Share Option Scheme in accordance with the rules and terms of the Share Option Scheme and 2,922,000 Share Options lapsed as a result of the resignations of grantees.

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

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 Rules Governing the Listing of Securities on the Stock Exchange (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 corresponding periods of the Review Year, 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 Year.

MATERIAL LITIGATION AND ARBITRATION

On 11 April 2014, the Company was served with a petition by the SFC, the details of which were set out in the Company's announcements dated 14 April 2014, 29 May 2014, 9 July 2014, 25 October 2019 and 6 November 2019 and its 2015–2018 annual reports and 2019 interim report.

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

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

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

In respect of the disqualification order made against Mr. Chin in the Court Order, the period of disqualification is stayed pending the determination of the Summons issued by Mr. Chin (for excluding three private companies from the said disqualification order) or until further order from the High Court. The Company shall publish an announcement in respect of the commencement of the disqualification of Mr. Chin as soon as practicable after being notified of the Court's decision on the above.

Save as aforesaid, the Group was not engaged in any litigation or arbitration of material importance during the Review Year.

REVIEW OF UNAUDITED ANNUAL RESULTS

The Company has established an Audit Committee to review and oversee the financial reporting procedures, internal control system and risk management activities of the Group. The Group's unaudited annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee and approved by the Board for publication.

Due to the outbreak of the COVID-19 pandemic, the audit process has been delayed, additional time is required for the auditors of the Company to finalise the audited consolidated financial statements of the Group for the year ended 31 December 2019. Following the completion of the audit process, which the Company expects will be completed by the middle of April 2020, the Company will thereafter issue a further announcement in relation to the audited results for the year ended 31 December 2019 around the same time by the middle of April 2020. Further details will also be stated therein should there be any material differences as compared with the unaudited annual results contained herein.

FINAL DIVIDEND

As the Company expects the audit process of the Group's annual results will be completed by the middle of April 2020, it plans to convene a Board meeting around the same time by the middle of April 2020 to consider the audited results and whether to recommend the payment of a final dividend. The Company will make a further announcement when the audited results are finalised.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Monday, 25 May 2020, will be eligible to attend and vote at the annual general meeting. The Company's transfer books and register of members will be closed from Monday, 25 May 2020 to Thursday, 28 May 2020 (both days inclusive) during which no transfer of shares will be registered. In order to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 22 May 2020.

APPRECIATION

The Board would like to take this opportunity to express sincere appreciation to the shareholders, the management and all staff members for their unfailing support and dedication.

By Order of the Board
MINTH GROUP LIMITED
Huang Chiung Hui
Chairperson

Hong Kong, 30 March 2020

As at the date of this announcement, the Board comprises Ms. Huang Chiung Hui and Ms. Chin Chien Ya as executive Directors and Mr. Wu Fred Fong, Dr. Wang Ching and Ms. Yu Zheng as independent non-executive Directors.