MINTH GROUP LIMITED
敏實集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 425)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 5.5% to approximately RMB12,466.9 million (2019: approximately RMB13,198.2 million).
- Gross profit decreased by approximately 6.4% to approximately RMB3,858.8 million (2019: approximately RMB4,121.4 million).
- Profit attributable to owners of the Company decreased by approximately 17.4% to approximately RMB1,395.5 million (2019: approximately RMB1,690.3 million).
- Basic earnings per share decreased to approximately RMB1.213 (2019: approximately RMB1.472).
- Proposed final dividend amounted to HK$0.572 per share (2019: HK$0.656).
- Capital expenditure increased by approximately 41.0% to approximately RMB2,362.1 million (2019: approximately RMB1,674.7 million).
- Consolidated net asset value increased by approximately 3.9% to approximately RMB15,312.9 million (2019: approximately RMB14,743.7 million).

The board (the "Board") of directors (the "Directors") of Minth Group Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 (the "Review Year"), together with the comparative figures for the year ended 31 December 2019 reviewed by the Audit Committee of the Company (the "Audit Committee") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	NOTES	***RMB'000***	*RMB'000*
Revenue	3	**12,466,858**	13,198,189
Cost of sales		**(8,608,015)**	(9,076,750)
Gross profit		**3,858,843**	4,121,439
Investment income		**239,710**	126,389
Other income		**159,991**	200,467
Other gains and losses	4	**(31,389)**	69,441
Distribution and selling expenses		**(520,956)**	(538,679)
Administrative expenses		**(1,028,955)**	(1,048,052)
Research expenditure		**(764,187)**	(655,526)
Interest expenses		**(247,624)**	(157,819)
Share of profits of joint ventures		**11,618**	4,388
Share of profits (losses) of associates		**2,524**	(20,770)
Profit before tax		**1,679,575**	2,101,278
Income tax expense	5	**(216,587)**	(336,187)
Profit for the year	6	**1,462,988**	1,765,091

	NOTE	**2020** RMB'000	2019 RMB'000
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Loss on remeasurement of defined benefit obligation		**(1,191)**	(871)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(49,557)**	30,457
Fair value gain on debt instruments measured at fair value through other comprehensive income		**1,672**	3,189
Other comprehensive (expense) income for the year, net of income tax		**(49,076)**	32,775
Total comprehensive income for the year		**1,413,912**	1,797,866
Profit for the year attributable to:			
Owners of the Company		**1,395,509**	1,690,300
Non-controlling interests		**67,479**	74,791
		1,462,988	1,765,091
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,348,770**	1,720,111
Non-controlling interests		**65,142**	77,755
		1,413,912	1,797,866
Earnings per share	8		
Basic		**RMB1.213**	RMB1.472
Diluted		**RMB1.210**	RMB1.466

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	NOTES	**2020** **RMB'000**	2019 RMB'000
Non-current assets			
Property, plant and equipment		**9,615,646**	8,748,976
Right-of-use assets		**959,635**	988,425
Goodwill		**98,030**	98,030
Other intangible assets		**78,198**	56,554
Interests in joint ventures		**136,812**	90,194
Interests in associates		**125,889**	124,865
Deferred tax assets		**157,670**	187,079
Prepayment for acquisition of property, plant and equipment		**185,970**	57,391
Contract assets	11	**695,413**	576,542
Contract costs		**170,794**	128,891
Plan assets		**2,043**	1,942
		12,226,100	11,058,889
Current assets			
Inventories	9	**2,384,748**	2,039,976
Loan receivables		**6,000**	6,000
Property under development		**13,405**	19,308
Trade and other receivables	10	**4,614,575**	4,315,920
Contract assets	11	**174,482**	234,230
Derivative financial assets		**4,834**	3,204
Held-for-trading investments		**450,625**	–
Debt instruments at fair value through other comprehensive income		**151,457**	256,647
Pledged bank deposits		**918,350**	21,267
Bank balances and cash		**6,008,272**	5,687,234
		14,726,748	12,583,786
Assets classified as held for sale		**252,897**	–
		14,979,645	12,583,786

	NOTES	2020 RMB'000	2019 RMB'000
Current liabilities			
Trade and other payables	12	**3,974,555**	3,436,692
Tax liabilities		**98,350**	120,410
Borrowings		**5,445,289**	4,138,998
Lease liabilities		**7,712**	5,311
Contract liabilities		**97,322**	111,783
Derivative financial liabilities		**4,969**	2,640
		9,628,197	7,815,834
Liabilities classified as held for sale		**4,770**	–
		9,632,967	7,815,834
Net current assets		**5,346,678**	4,767,952
Total assets less current liabilities		**17,572,778**	15,826,841
Capital and reserves			
Share capital		**116,069**	115,227
Share premium and reserves		**14,827,935**	14,209,718
Equity attributable to owners of the Company		**14,944,004**	14,324,945
Non-controlling interests		**368,891**	418,749
Total equity		**15,312,895**	14,743,694
Non-current liabilities			
Deferred tax liabilities		**107,111**	94,944
Borrowings		**1,073,911**	–
Lease liabilities		**11,595**	93,568
Retirement benefit obligation		**14,534**	16,537
Derivative financial liabilities		**20,181**	–
Deferred income		**28,209**	13,653
Other long-term liabilities	13	**1,004,342**	864,445
		2,259,883	1,083,147
		17,572,778	15,826,841

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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 Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. 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 AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

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:

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

3. SEGMENT INFORMATION

In prior year, information reported to the Executive Directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on goods or services delivered or provided to the Group's customers in different geographic locations.

In the current year, the Group reorganised its internal reporting structure and information reported to the CODM changes to focus on types of goods or services delivered or provided, which resulted in changes to the composition of its reportable segments. Prior year segment disclosures have been represented to conform with the current year's presentation.

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

Segment revenue and results

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

For the year ended 31 December 2020

	Aluminium *RMB'000*	Plastic *RMB'000*	Battery-housing *RMB'000*	Metal & Trim *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
Revenue	**3,112,007**	**3,700,310**	**95,713**	**4,672,960**	**1,372,148**	**(486,280)**	**12,466,858**
Segment profit	**1,015,962**	**1,148,777**	**6,319**	**1,348,895**	**273,449**	**65,441**	**3,858,843**
Investment income							**239,710**
Other unallocated income, gains and losses							**128,602**
Unallocated expenses							**(2,314,098)**
Interest expenses							**(247,624)**
Share of profits of joint ventures							**11,618**
Share of profits of associates							**2,524**
Profit before tax							**1,679,575**
Income tax expense							**(216,587)**
Profit for the year							**1,462,988**

For the year ended 31 December 2019

	Aluminium *RMB'000*	Plastic *RMB'000*	Battery-housing *RMB'000*	Metal & Trim *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
Revenue	3,253,595	3,930,394	6,768	4,980,902	1,649,478	(622,948)	13,198,189
Segment profit	1,019,000	1,207,508	311	1,460,588	433,912	120	4,121,439
Investment income							126,389
Other unallocated income, gains and losses							269,908
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

4. OTHER GAINS AND LOSSES

	2020 *RMB'000*	2019 *RMB'000*
Net foreign exchange loss	**(326)**	(5,619)
Fair value changes of derivative financial instruments	**(15,619)**	(1,192)
Fair value changes of other financial assets at fair value through profit or loss	**68,461**	58,978
Impairment loss recognised on trade and other receivables	**(15,935)**	(1,305)
Impairment loss for property, plant and equipment	**(16,378)**	(12,264)
Gain on disposal of property, plant and equipment	**6,616**	9,661
Gain on disposal of subsidiaries	**1,001**	–
Gain on deemed disposal of an associate	**–**	836
Compensation from the legal proceeding	**–**	20,346
Provision	**(52,875)**	–
Others	**(6,334)**	–
Total	**(31,389)**	69,441

5. INCOME TAX EXPENSE

	2020 *RMB'000*	2019 *RMB'000*
Current tax:		
The People's Republic of China (the "PRC") Enterprise Income Tax	**261,609**	377,788
Other jurisdictions	**(653)**	10,665
Withholding tax paid	**–**	10,273
	260,956	398,726
Over provision in prior years:		
PRC Enterprise Income Tax	**(86,262)**	(52,677)
Deferred tax:		
Current year charge (credit)	**41,893**	(9,862)
	216,587	336,187

6. PROFIT FOR THE YEAR

	2020 *RMB'000*	2019 *RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**815,457**	750,881
Depreciation of right-of-use assets	**30,729**	26,365
Amortisation of other intangible assets	**33,445**	27,979
	879,631	805,225

7. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2019 Final – HK$0.656		
(2018: final dividend HK$0.661) per share	**694,445**	667,384

At the annual general meeting held on 28 May 2020, a final dividend of HK$0.656 (2019: HK$0.661) per share totalling HK$754,876,000 (equivalent to RMB694,445,000) (2019: HK$759,452,000 (equivalent to RMB667,384,000)) in respect of the year ended 31 December 2019 was approved by the shareholders and subsequently paid to the shareholders of the Company.

A final dividend of HK$0.572 per share totalling HK$663,233,000 (equivalent to RMB558,203,000) for the year ended 31 December 2020 has been proposed by the Directors and is subject to approval by the shareholders in the annual general meeting to be held on 31 May 2021.

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:

	2020	2019
	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)	**1,395,509**	1,690,300

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	**1,150,185**	1,148,318
Effect of dilutive potential ordinary shares:		
Options	**3,274**	4,978
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,153,459**	1,153,296

Note: On 28 July 2020, the Company has adopted a share award scheme ("2020 Share Award Scheme") to recognise the contributions by certain eligible participants. The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted by the number of ordinary shares purchased by the trustee for the 2020 Share Award Scheme.

9. INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Raw materials	**801,655**	646,068
Work in progress	**595,667**	545,747
Finished goods	**987,426**	848,161
	2,384,748	2,039,976

10. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables		
– associates	**12,920**	15,292
– joint ventures	**10,713**	7,593
– non-controlling shareholders of subsidiaries	**134**	38
– other related parties*	**1,680**	342
– third parties	**3,291,311**	3,324,966
Less: Allowance for credit losses	**(14,328)**	(16,258)
	3,302,430	3,331,973
Bill receivables	**68,985**	–
Other receivables	**207,913**	182,487
Less: Allowance for credit losses	**(1,574)**	(1,769)
	206,339	180,718
	3,577,754	3,512,691
Prepayments	**704,705**	567,915
Prepaid expense	**31,968**	22,398
Value-added tax recoverable	**202,487**	137,015
Insurance recoverables for loss of property, plant and equipment	**–**	24,403
Interest receivable	**97,661**	51,498
Total trade and other receivables	**4,614,575**	4,315,920

* 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 (2019: 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:

	2020	2019
	RMB'000	*RMB'000*
Age		
0 to 90 days	**3,020,718**	3,012,651
91 to 180 days	**143,121**	230,558
181 to 365 days	**61,298**	11,951
1 to 2 years	**75,755**	73,261
Over 2 years	**1,538**	3,552
	3,302,430	3,331,973

11. CONTRACT ASSETS

	2020	2019
	RMB'000	*RMB'000*
Moulds development	**869,895**	810,772
Less: Allowance for credit losses	**–**	–
	869,895	810,772
Current	**174,482**	234,230
Non-current	**695,413**	576,542
	869,895	810,772

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.

12. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables		
– associates	**48,838**	38,749
– joint ventures	**9,168**	6,933
– non-controlling shareholders of subsidiaries	**1,831**	8,126
– other related parties*	**32,219**	63,942
– third parties	**2,111,587**	1,796,868
	2,203,643	1,914,618
Bill payables	**246,551**	228,097
Other payables		
– associates	**61**	227
– joint ventures	**63,402**	12
– non-controlling shareholders of subsidiaries	**28,580**	26,586
– other related parties*	**4,440**	21
	96,483	26,846
	2,546,677	2,169,561
Payroll and welfare payables	**411,918**	481,355
Advance from customers	**–**	4,986
Consideration payable of acquisition of property, plant and equipment	**247,848**	231,757
Technology support services fees payable	**9,676**	5,985
Freight and utilities payable	**120,437**	87,953
Other tax payable	**138,680**	48,218
Interest payable	**–**	8,927
Deposits received	**5,221**	5,888
Provision	**52,875**	–
Others	**441,223**	392,062
Total trade and other payables	**3,974,555**	3,436,692

* 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 (2019: 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:

	2020	2019
	RMB'000	*RMB'000*
Age		
0 to 90 days	**2,016,243**	1,748,184
91 to 180 days	**113,588**	79,500
181 to 365 days	**30,586**	43,131
1 to 2 years	**31,313**	37,720
Over 2 years	**11,913**	6,083
	2,203,643	1,914,618

Bill payables held by the Group as at 31 December 2020 will mature within 6 months (2019：within 6 months).

13. OTHER LONG-TERM LIABILITIES

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 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 long-term liability. As at 31 December 2020, the carrying amount of this long-term liability together with the interest payable is RMB838,600,000.

* The English names are for identification purposes only.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the Review Year, the production and sales of China's passenger vehicles ("PVs") were approximately 19,994,000 and 20,178,000 units respectively, representing a year-on-year decrease of approximately 6.5% and 6.0% respectively. Breaking it down into market segments, sedans saw declines of approximately 10.0% and 9.9% respectively in production and sales when compared to the same period in the previous year. Production and sales of MPVs also shrank by approximately 26.8% and 23.8% respectively when compared to the same period in the previous year. SUVs actually recorded year-on-year increases in production and sales of approximately 0.1% and 0.7% respectively as compared to the same period in the previous year, becoming the first segment to report positive growth and outperforming sedans in production and sales volumes. During the Review Year, China became the world's largest market for luxury cars which promoted robust growth in the sales of luxury cars, and it is anticipated that this growth in penetration rate will continue in the future. In terms of product origins, the market share of Japanese OEMs increased by approximately 1.8%, while German OEMs experienced an approximately 0.3% decline. German and Japanese OEMs each accounted for over 23% of the market. As for the market shares of other product origins, American OEMs reported growth while Korean and French OEMs experienced declines to varying degrees. Chinese OEMs continued to lead the market in terms of overall sales, although they reported an approximately 0.8% year-on-year decline in market share. During the Review Year, growth rate of sales for new energy vehicles ("NEVs") outperformed the market with an over 10% annual growth in retail sales. High-end NEVs known for their intelligent features and low-end NEVs known for their cost efficiency, have become two important segments in supporting China's NEV market.

During the Review Year, the global automobile market suffered a collective decline due to the impact of coronavirus disease 2019 ("COVID-19"). However, NEVs bucked this trend and reported growth, becoming the greatest highlight for the market. During the Review Year, global sales of light vehicles dropped approximately 14.0% year-on-year to approximately 77,600,000 units. In Europe, sales of NEVs continued to rise due to the ongoing incentive policies of the European governments despite the overall lacklustre sentiment of the automobile market. According to the estimates of PwC's Strategy&, NEVs will account for approximately 67.0% of overall automobile sales in the European markets by 2035, which would make Europe a leader, ahead of other global markets in terms of market share for NEVs. The market of the United States (the "US") reported the fourth heaviest decline since 1980, as sales of light vehicles dropped approximately 14.6% to approximately 14,580,000 units. Light-weight trucks, as represented by the pick-up truck, remained a pillar supporting automobile sales in the US. In terms of Asian markets, Japan recorded a relatively substantial decline, while the Korean and Thai markets stabilised and reported growth in rebound. Brazil, India, Russia and Mexico experienced declines to varying degrees.

COMPANY OVERVIEW

The Group is primarily engaged in the design, manufacture and sales of trims, decorative parts, body structural parts, roof racks, battery housings and other related auto parts. The Group has its main manufacturing bases in China, the US, Mexico, Thailand and Germany, as well as Serbia, the United Kingdom (the "UK") and the Czech Republic where new plants have been built. These manufacturing bases are supported by the Group's sales, design and research and development ("R&D") centres in China, Germany, the US, Japan and Korea. These enable the Group to fully leverage geographical proximity to facilitate the development of new products and expand its market reach. With ongoing growth and expansion, the Group is able to serve major automotive markets across the globe, and to understand and meet the demands of its diverse customers.

During the Review Year, to further facilitate the Group's global strategy and deployment of its products, realise leadership in technology and build core competitiveness of its products in the global markets, the Group continued to consolidate its operation model comprising the four principal product business units ("BUs"), namely metal and trim products, plastic products, aluminium products and battery housings. This follows the successful completion of the strategic restructuring of the BUs, giving more autonomous management authority to the BUs and encouraging them to increase their economies of scale and explore opportunities for value growth. Meanwhile, the project management function was transferred from the Account Development Centre of the Group to the BUs, in order to enhance organisational and operational efficiency. At the same time, the Group has established the Supply Chain Management Department to streamline the Group's integrated supply-chain management, which will facilitate end-to-end management of the entire process from sales estimates, to production and sales coordination, agile planning, procurement management, logistics and warehousing. All these will be managed and viewed through a digitalised system.

During the Review Year, the Group continued to expand the implementation of the Minth Operation Excellence System ("MOS") (敏實卓越運營系統). At the Group's manufacturing plants in China, Thailand, and Mexico, the Group applied a cost management pillar to improve the cost attribution matrix, which provided a more detailed analysis of wastes and losses incurred in the course of operations and helped formulate an effective improvement plan. During the Review Year, in respect of the application and standardisation of MOS tools, the Group started to implement a transition from the reaction stage to the preventive stage. The BUs are completing the MOS talent layout and establishing a succession of teams utilizing the LUTI (Learn/Use/Teach/Inspect) system. The Group continued to utilise MOS as the assessment standard and identified seven perspectives (including management, "environment/quality/safety", cost, human resources, production excellence, logistics and supply chain) as the principal management elements of its plant operations, to promote communication and appraisals among its factories, and to build Bronze Level factories as the benchmark, so that best practices could be quickly standardised and replicated in its plants at various locations globally. In the course of MOS implementation, the Group has also been seeking improvements continuously. During the Review Year, the Group added primary-stage product management as an additional evaluation criterion at the battery housing BU on a trial basis to reduce the risks and costs incurred prior to mass production. This has helped to facilitate the standardisation and integration of MOS across the Group's global plants.

The Group is consistently seeking improvements in operations, including upgrades to the existing production models, process optimisations as well as the introduction of advanced manufacturing technologies. This is done while also enhancing the competitiveness of its traditional products in cost and quality, to further increase the penetration of various product types at the customer end. During the Review Year, the Group continued to promote new solutions to customers and to win their trust with quality products and services. During the Review Year, the Group's R&D and sales teams liaised with customers on technical solutions to facilitate market development of new products such as battery housings, intelligent front module and door systems. These endeavors should provide assurance for the Group's future revenue growth. In terms of project development, the Group's work on aluminium battery housings, radomes, illuminated emblems and grilles, active grille shutters, electric running boards and laser-welded door frames are moving along smoothly.

During the Review Year, with a view to enhance its core competitive strengths in this digital era, the Group established the Digital Transformation Centre, aiming to develop its digital platform and construct a forward-looking group management and production model, and in so doing accelerating the Group's digital transformation. During the Review Year, the Digital Transformation Centre established a digital factory project team which is responsible for the business planning and information infrastructure of the Group's global factory system. During the Review Year, the Group continued to appoint professional consultants to further update and promote the SAP project, aiming to create a globally integrated information platform and lay the foundation for the globalisation and agile operations of the Group. This transformation has allowed the Group to better proceed with production planning based on rolling forecasts and actual orders placed by the customers, to streamline its efforts by aligning production and sales with capacity, as well as to support the establishment and promotion of the management platform of entire supply chain covering multiple sites. The entire supply chain and online coordination process of production planning and management, warehousing, logistics, procurement and sales could be tracked through this platform.

During the first half of the Review Year, third-party partners were added to the Future Factory project and the work on top-level design plans officially commenced. Design work was almost completed by the end of the Review Year, and construction work has been progressing at a steady pace. The Group targets to realize intelligent manufacturing through construction of the Future Factory which is featured with flexibility, digitalisation and intelligence, in order to achieve comprehensive benefits in all aspects including the workshops, the layout, the logistics, the production technologies, the production management as well as enhancing the environmental protection and safety. Regarding the intelligent industrial park of the Group, the main idea is to bring about the best humanistic experience by employing the most advanced technologies. With the application of Big Data, the Internet of Things and Artificial Intelligence ("AI"), the Group plans to set up a new industrial environment that promotes a more humanistic experience and intelligent manufacturing while protecting the environment. This site is expected to lead the Group onto its path of digital transformation and upgrades.

Over the Review Year, the Group has kept broadening its engagement in its management of the environment, health and occupational safety ("EHS"). Based on the EHS system, The Group is working to achieve the goal of "healthy, intelligent and eco-friendly manufacturing". The development of the energy system and the carbon emission management system is nearing completion.

During the Review Year, the Group continued to strengthen its safety management across all BUs on a uniform basis with a focus on on-site operations. A set of criteria called the "ten major red lines" have been adopted as the management method for setting key points and overseeing the process. It has been the key to enhancing the safety awareness of employees and to reinforcing the management's awareness of risk identification in order to ensure operational safety at the factory level. The Group has continued to introduce advanced technologies for waste water, emissions and hazardous waste treatment, while increasing investment in waste recycling facilities, reducing the consumption of raw materials and supplies, as well as installing an online monitoring system to provide real-time monitoring of the emission treatment facilities. This ensures effective operations of such facilities, resulting in the reduction of pollutant discharge and greater compliance with relevant emission standards. The Group has also taken greater heed of the development and management of occupational health by optimizing management mechanisms for jobs subject to occupational hazards and ensuring comprehensive implementation of the occupational health check systems to ensure the general health and well-being of the employees. There has been a substantial decrease in reportable incidents (OHSA recordable work injuries and open flame incidents) that have occurred during the Review Year in the Group when compared to the same period last year. No material safety, fire or environmental incidents were reported.

Over the course of the Review Year, the Group commenced the upgrades of ISO14001 and ISO45001 and has accepted energy management audits done by its major clients. The Group has started initiatives for carbon emission management with the convening of its first sustainability conference and the formulation of carbon reduction roadmap to implement relevant measures. During the Review Year, the Group's EHS team completed the evaluation of the on-site implementation and MOS-EHS pillar for the factories in China. With on-site training of operators, equipment handlers, junior managers and plant managers, staff competence in fire prevention and other safety issues has been comprehensively improved. The overall EHS performance of the Group has been enhanced, thereby ensuring safe and healthy operations.

During the Review Year, the Group was engaged in prevention work in regards to the COVID-19. The Group's EHS team completed tasks for the preparation, dispatch and use of anti-pandemic supplies as well as the sanitisation of workspaces. These efforts have facilitated the Group's smooth resumption of work and production while safeguarding employees' well-being.

During the Review Year, the Group continued to focus on its development strategy and, in tandem with its control model and the commencement of digitalisation reforms, the Group made corresponding planning to further strengthen its capability of independent oversight in addition to its commitment to improving the development and implementation standards of its comprehensive risk-oriented internal control system. With a strong emphasis on the efficiency in dealing with external risks, upgrades were planned for the digitalisation of risk management and internal oversight as integral parts of the Group's IT-based control and management, so as to exert more systematic and effective control over potential risks. During the Review Year, in response to the needs of organisational transformation, the Group commenced and completed modifications of the framework and procedures of authorisation. Process control was reviewed for its efficiency and effectiveness and optimised on an ongoing basis, while improvements were also made to the method of the Group's internal control management to consistently enhance its risk control and management standard and reasonably assure that potential risks were controlled within acceptable tolerance levels. During the Review Year, the Group published the revised policy called "Minth Group Regulations for the Administration of Audit and Supervision" to further ensure the independence of its internal audit function in the context of system and organisational structure, while continuing to allocate sufficient resources to support the performance of its duties, in continuous enhancement of the efficiency, effectiveness and standardisation of internal audit. In the meantime, audit covering all four BUs of the Group was completed in an ongoing effort to facilitate, enhance and supervise the effectiveness of overall risk management of each functional department and operating unit, as risk management was embedded in the daily operations and the core value chain of the Group. Continuous improvements were made particularly in areas such as procurement and supplier management, compliance management, and authorisation management. The Group was also highly concerned with improving the development of the system and capability for preventing and combating bribery. In addition to strengthening cooperation between the police force and fellow industry players, the Group has also published the revised policy called "Minth Group Regulations for Whistleblowing Management and Reward for Integrity" to enhance the development of internal whistleblowing channels and stipulate the reward of reporting on briberies and other acts of fraud. These measures have effectively safeguarded and promoted the sustainable and steady development of the Group.

Business and Operation Layout

During the Review Year, the Group's revenue was approximately RMB12,466,858,000, representing a drop of approximately 5.5% as compared with approximately RMB13,198,189,000 in 2019. During the Review Year, the domestic revenue of the Group was approximately RMB7,391,431,000, representing a decrease of approximately 2.8% as compared with approximately RMB7,605,321,000 in 2019. Although the domestic market had been impacted by COVID-19, China's automobile market benefited from the launch of various incentive policies to stimulate recovery after initial setbacks. The Group's European and Japanese OEMs in China outperformed the overall market. The Group's overseas revenue during the Review Year was approximately RMB5,075,427,000, representing a decrease of approximately 9.3% as compared with approximately RMB5,592,868,000 in 2019. This was mainly attributable to a global disruption in the supply chain of the automobile industry which was devastated by the COVID-19, resulting in temporary suspension of production or curtailed orders by the Group's OEM clients in China and abroad following lockdowns in numerous overseas countries.

During the Review Year, the new business intake for the Group exceeded RMB8 billion for the first time to achieve a new milestone in growth. Among them, a significant breakthrough was made in innovative products with substantial growth in new business intake. During the Review Year, the Group made rapid progress with its battery housing business, as it became a strategic supplier for MEB platform (Volkswagen Group's largest platform for electric vehicles) in Europe. Meanwhile, the Group gauged the pulse of the market for systems integration supply with pinpoint accuracy and commenced cooperation with battery makers such as CATL. In addition, the Group secured orders from a number of customers, such as BMW, Nissan and Renault, and gained rising importance in the NEV market. During the Review Year, the Group targeted popular trends in the market and made aggressive moves into illuminated products, gaining access to markets for illuminated grilles, illuminated emblems and illuminated body side mouldings. Moreover, the Group made multiple breakthroughs with new techniques and products, such as hot stamping, electric running boards, bumper beams, exhaust pipes and rocker panels, which forms an ongoing enhancement of its comprehensive competitiveness in multiple areas. In terms of customer development, the Group secured Tesla's aluminium trim business for the first time and became a tier-one supplier for Model Y (one of Tesla's popular products). In North America and Thailand, the Group continued to make breakthroughs in the business with Japanese OEMs, while being nominated as a qualified roof rack supplier for Lexus for the first time. At the same time, the Group continued to explore the NEV market and allocated more attention to the development of EV start-ups and opportunities for potential cooperation.

The Group has been pursuing its global expansion plans in relation to battery housings and other products over the Review Year. Two new factories are about to start full production in Serbia, following the construction of several workshops, and installation and fine-tuning of large scale extrusion lines during the Review Year. The factories have been checked to ensure strict environmental controls and safety management are in place. These two factories, with state-of-the-art production lines, will be serving aluminum BU and battery housing BU of the Group. The Group has also established its presence in the Czech Republic, and has confirmed the workshop for battery housings as well as the planning for all related equipment. There are also two new plants established exclusively for battery housings in Chengdu and Shenyang, China. A factory was also set up in Xianning for both battery housings and metal and trim parts. All of these efforts have helped to further expand the Group's global footprint, meet customers' needs on proximity, and keep the Group competitive in the global market for battery housings and other products.

During the Review Year, the Group has been actively working on optimizing and expanding the capacity of existing sites according to their respective circumstances. This not only promoted the overall operational efficiency of the Group, but supported the Group to better satisfy its global customers' requirements in relation to product development and mass production. With the help of these updates the Group has received multiple awards of supplier excellence for providing outstanding quality, reasonable costs, great after-sales service and being a team player at its sites in Jiaxing, Huai'an, Wuhan, Guangzhou, Zhengzhou, Tianjin, Beijing, Chongqing and Changchun. During the Review Year, the Group also formed a joint venture with the Hella Group to further explore opportunities in radome products (please refer to the Company's announcement dated 18 June 2020 for further details).

The Review Year presented its own unique challenges with the advent of a global pandemic, namely COVID-19, and severe chaos and major disruptions in markets were witnessed around the world, but a gradual recovery is in progress. To effectively mitigate the impact of the pandemic, the Group's crisis response team actively implemented epidemic prevention measures according to internally formulated epidemic prevention plans, including the anti-epidemic response plan, contingency plan and disease control manuals for different departments, with a view to ensuring the safe, healthy and stable operations of all subsidiaries within the Group. With a dual emphasis on anti-epidemic measures and production, the Group swiftly resumed operations while winning the support and recognition of the government, customers and its staff. Tasks in business intake, safety planning, quality management, efficiency enhancements, cost improvements and efficient delivery were rolled out as usual and tracked in a systematic and project-based manner, and notable results were achieved. In view of the volatile international trade relations, reasonable strategic adjustments were made with the assistance of professional investment, taxation and legal teams to safeguard the Group's international layout.

Following its restructuring into BUs, the Group also saw improvements in both exchanges (in technologies and talents) and cooperation among different factories in the Group, both locally and globally. Sophisticated project experience in product development, tooling development, process development and quality improvement of the factories in China could be easily duplicated at overseas factories, thus driving swift improvement of newly launched factories in other parts of the world.

Research and Development

The Group did not lag behind in research and development ("R&D") during the Review Year. It conducted a thorough analysis of current trends and market demands in the automotive industry in order to pursue continued breakthroughs in product and technology. This has led to substantial progress in product development in line with the trends of weight reduction, electrification, intelligent application and internet-connection for automobiles ("four disruptive trends").

Regarding battery housing products, the Group has been honing its competitive advantage and becoming a system solution provider. The Group, with its vertical integration capabilities from conception, technical design, process design and industrial development to global manufacturing, has been growing to be a preferred partner for multiple global automotive OEMs. With continuous R&D, the Group has maintained a constant output of innovation for new products and technologies, such as cell-to-pack ("CTP") battery housing solution, housings applicable for battery swapping, housings for solid-state batteries and thermal plastic housing covers. With this intense R&D activity, the Group has been able to secure multiple global projects for concurrent design and be engaged in concept design for OEMs' vehicle models. The Group has signed an agreement to be the battery housing expert supplier for a European OEM. The Group also has R&D teams that are focused on improving industrial technologies and processes. The Group has been cooperating with other technological leaders in the field around the world in order to optimize its production lines, tooling designs and production techniques. The Group's factories in Anji and Shenyang officially kicked off mass production, and the Group is fast becoming one of the world's largest suppliers of aluminum battery housings based on its current order book. Meanwhile, the Group has also been making use of its diverse skills to start offering complementary parts for the battery housings such as front and rear crash management systems, rocker panels and other high pressure die cast structural parts. Orders have already been secured, which will offer another growth driver for the Group while cementing the Group's status as a complete solutions supplier of battery housings and integrated chassis components.

As for intelligent exterior products, the Group is focusing on the R&D of intelligent front modules and intelligent door systems. The Group is leading the charge among its domestic peers in technical capability and market share for products such as millimetre wave ("mmWave") compatible radomes and illuminated emblems. During the Review Year, the Group entered into an agreement with Hella Group from Germany for the formation of a joint venture to leverage complementary advantages, pursue synergetic development and improve the research capabilities of both parties, with a view to supplying a variety of bespoke solutions to customers and foster competitive edges in the global markets. In the meantime, the Group has continued to make breakthroughs in the R&D on technology for products such as mmWave compatible radomes with heating function, LiDAR compatible radomes and intelligent illuminated grilles, and has currently started to see order inflows. To fulfill the requirements for autonomous driving, the Group has worked out solutions for integrated intelligent front modules and multiple industry-leading patents have already been filed for those products. In-depth research is also proceeding in the development of intelligent door systems that provide innovative methods of entry into vehicles. In this area, the Group's intelligent pillar products have passed the technical qualification of multiple OEMs. On the side of electromechanical products, the Group is continuing to progress in long-sized seat sliding rails, electric running boards and roller shutters, for which the Group has gradually won orders from mainstream OEMs.

During the Review Year, the Group made large strides into the R&D of process technologies, materials, surface treatment, advanced toolings and production lines for the above-mentioned new products, and a comprehensive portfolio of patents for advanced technologies has been filed. In relation to technical and technological innovation, the Group has embarked on a campaign to comprehensively optimize its metal forming, plastic moulding and joint processes, achieving comprehensive proprietary design and manufacturing in key technologies for the integrated package consisting of toolings, moulds and automated production lines. In particular, strategic, directional and prospective coordinated innovation and research was conducted to seek breakthroughs in core technologies such as the modularisation of chassis structural parts and integration of optoelectronic products, while leading the Group's future development direction of technique and technology for innovative products. The Group continued to advance efforts in the standardisation of process techniques and reduction in energy consumption, gradually fostering advantages in technical stability and cost. To actively fulfil its corporate social responsibility and contribution to the goals of carbon peaking and carbon neutrality, the Group has established the "Carbon Neutrality" project team for the joint promotion of low carbon emission across the industry chain.

The Group continues to increase its investment in the research of materials, with a special focus on the R&D and innovation of high-performance aluminium and polymeric materials. In connection with high-performance decorative aluminium materials, the Group continues to maintain its global lead in the industry and has become the most competitive supplier of decorative aluminium solutions with its proprietary aluminium materials for exterior products as well as a unique patented anodizing technology. In connection with the R&D of high-performance structural aluminium, the Group continued to drive innovation in the core formula and process technique for aluminium structural profiles, filling a gap in the domestic industry. The Group's proprietary energy-absorbing structural aluminium, with various levels of strength, has gained recognition from mainstream European OEMs and has become fully eligible for use in battery housings and aluminium body structural products, which helps to make its new products much more competitive. In connection with the R&D of polymeric materials, the Group has focused its efforts in the development of high-elasticity sealing materials, intelligent surface materials, composites and eco-friendly materials. Regarding surface treatment technologies, the Group has continued to optimise the techniques of chrome plating for plastic products, coating for plastic and metal products and aluminium anodizing, with a special emphasis on the innovation and optimisation of surface treatment technologies required by the development of intelligent exterior products, in full preparation for the transformation of auto parts in line with the four disruptive trends.

As for its R&D organisation, the Group has started to consolidate its R&D resources for innovation around the world, including Europe, North America and Japan, as well as streamline resources for global strategic cooperation. Meanwhile, the Group has progressively consolidated its global concurrent design capabilities and has continued to second personnel to overseas offices in order to enhance local design services, and improved its network for global concurrent design with the support of the master data management system and product data management system.

The Group places a strong emphasis on the protection of intellectual property rights and seeks to comprehensively broaden its patent portfolio for innovative products with active application for international patents. During the Review Year, 487 patent applications were filed by the Group for approval, including 8 applications relating to international Patent Cooperation Treaty (PCT) patents, and 331 patents were authorised by competent authorities.

FINANCIAL REVIEW

RESULTS

During the Review Year, the Group's revenue was approximately RMB12,466,858,000, representing a decrease of approximately 5.5% from approximately RMB13,198,189,000 in 2019. It was mainly attributable to the impacts of the global COVID-19 pandemic and the related anti-epidemic measures ("Impacts of the Global Pandemic") on the Group's overall business during the first half of the Review Year, resulting in a decrease in Group's revenue by approximately 20.9% compared to the first half of last year, while during the second half of the Review Year, with the gradual rebound of business in China and overseas regions, the Group's revenue returned to positive growth compared to the second half of last year, narrowing the decline in the Group's revenue for the whole year.

During the Review Year, the profit attributable to owners of the Company was approximately RMB1,395,509,000, representing a decrease of approximately 17.4% from approximately RMB1,690,300,000 in 2019. It was mainly due to a substantial decrease in gross profit in the first half of the year as compared to the same period of last year, which was because of, among others, a substantially lower utilisation rate of production capacity as a result of a decline in the Group's revenue during the first half of the year, while the Group recorded growth in overall revenue in the second half of the year compared to the second half of last year following the gradual recovery from the global pandemic as well as the effective control of related costs, resulting in growth in gross profit for the second half of the year compared to the same period of last year.

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:

	2020		2019	
	RMB'000	***%***	*RMB'000*	*%*
Customer category				
The PRC	**7,391,431**	**59.3**	7,605,321	57.6
North America	**2,259,373**	**18.1**	2,757,224	20.9
Europe	**2,147,664**	**17.2**	2,231,828	16.9
Asia Pacific	**668,390**	**5.4**	603,816	4.6
Total	**12,466,858**	**100.0**	13,198,189	100.0

Revenue from Overseas Markets

During the Review Year, the Group's revenue from overseas markets amounted to approximately RMB5,075,427,000, representing a decrease of approximately 9.3% from approximately RMB5,592,868,000 in 2019. It accounted for approximately 40.7% of the total revenue of the Group in the Review Year, representing a decrease when compared to approximately 42.4% in 2019.

Gross Profit

During the Review Year, the Group's gross profit was approximately RMB3,858,843,000, representing a decrease of approximately 6.4% from approximately RMB4,121,439,000 in 2019. The gross profit margin for the Review Year was approximately 31.0%, representing a decrease of approximately 0.2% from approximately 31.2% in 2019. Such decrease was mainly due to a substantially lower utilisation rate of production capacity attributable to the decline in the Group's revenue under the impacts of the pandemic and the commissioning of certain new production lines during the Review Year, while the Group still faced the pressures of the ASP decline in prices of products for old models and higher tariffs on Chinese export products imposed by the U.S., the combined effect of which resulted in a decrease in overall gross profit margin. To address these, the Group maintained its efforts on reducing procurement costs, and continuously improved production efficiency and production yield by adopting measures such as lean production and technology upgrade, in order to partially offset the decrease in overall gross profit margin.

Investment Income

During the Review Year, the investment income of the Group was approximately RMB239,710,000, representing an increase of approximately RMB113,321,000 from approximately RMB126,389,000 in 2019. It was mainly due 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 RMB159,991,000, representing a decrease of approximately RMB40,476,000 from approximately RMB200,467,000 in 2019. It was mainly attributable to a decrease 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 loss of approximately RMB31,389,000, representing a decrease of approximately RMB100,830,000 as compared to a net gain of approximately RMB69,441,000 in 2019. It was mainly attributable to the customs related administrative penalty accrued by the Group and the receipt of the compensation from the SFC proceeding in 2019 while there was no such gain recorded during the Review Year.

Distribution and Selling Expenses

During the Review Year, the Group's distribution and selling expenses were approximately RMB520,956,000, representing a decrease of approximately RMB17,723,000 from approximately RMB538,679,000 in 2019. It accounted for approximately 4.2% of the Group's revenue, representing an increase of approximately 0.1% from approximately 4.1% in 2019. During the Review Year, the Group's unit transportation cost increased as a result of the Impacts of the Global Pandemic, while the Group actively adopted various improvement plans and exercised strict expense control, resulting in the overall decrease in the Group's distribution and selling expenses.

Administrative Expenses

During the Review Year, the administrative expenses of the Group amounted to approximately RMB1,028,955,000, representing a decrease of approximately RMB19,097,000 from approximately RMB1,048,052,000 in 2019. It accounted for approximately 8.3% of the Group's revenue, representing an increase of approximately 0.4% from approximately 7.9% in 2019. It was mainly attributable to the Group's strict control over labour costs and relevant expenses to address the negative impacts caused by the global pandemic during the Review Year. However, the increase in fixed expenses (including depreciation and amortisation) and service costs incurred in the Group's digital transformation resulted in the increase of administrative expenses as a percentage of revenue as compared to that in the same period of last year.

Research Expenditure

During the Review Year, the research expenditure of the Group amounted to approximately RMB764,187,000, representing an increase of approximately RMB108,661,000 from approximately RMB655,526,000 in 2019. It accounted for approximately 6.1% of the Group's revenue, representing an increase of approximately 1.1% from approximately 5.0% in 2019. It was mainly due to the Group's recruitment of senior R&D personnel and increase in R&D investment during the Review Year to enhance R&D capabilities to maintain its market competitiveness and sustainable development, as well as to continuously promote R&D on battery-housing and other innovative products.

Share of Profits of Joint Ventures

During the Review Year, the Group's share of profits of joint ventures was a net profit of approximately RMB11,618,000, representing an increase of approximately RMB7,230,000 from a net profit of approximately RMB4,388,000 in 2019, which was mainly attributable to an increase in profit from one of the joint ventures because of its commencement of mass production during the Review Year.

Share of Profits (Losses) of Associates

During the Review Year, the Group's share of profits (losses) of associates amounted to a net profit of approximately RMB2,524,000, representing an increase of approximately RMB23,294,000 from a net loss of approximately RMB20,770,000 in 2019. It was mainly attributable to a decrease in loss incurred by one of the associates in the Review Year.

Income Tax Expense

During the Review Year, the Group's income tax expense was approximately RMB216,587,000, representing a decrease of approximately RMB119,600,000 from approximately RMB336,187,000 in 2019.

During the Review Year, the effective tax rate was approximately 12.9%, representing a decrease of approximately 3.1% from approximately 16.0% in 2019, which was mainly attributable to the impact of differences in Enterprise Income Tax settlement for the previous year.

Profits Attributable to Non-controlling Interests

During the Review Year, the Group's profits attributable to non-controlling interests were approximately RMB67,479,000, representing a decrease of approximately RMB7,312,000 from approximately RMB74,791,000 in 2019. It was mainly attributable to the decrease in net profit of one of the non-wholly owned subsidiaries during the Review Year.

Liquidity and Financial Resources

As of 31 December 2020, the Group's total amount of bank balances and cash and pledged bank deposits is approximately RMB6,926,622,000, representing an increase of approximately RMB1,218,121,000 as compared to approximately RMB5,708,501,000 as of 31 December 2019. As of 31 December 2020, the Group's low-cost borrowings totally amounted to approximately RMB6,519,200,000, among which the equivalent of approximately RMB2,682,593,000, approximately RMB1,935,940,000, approximately RMB1,501,799,000, approximately RMB197,365,000, approximately RMB144,250,000 and approximately RMB57,253,000 were denominated in RMB, US Dollar ("USD"), Euro ("EUR"), Hong Kong Dollar ("HKD"), Thai Baht ("THB") and Great Britain Pound, respectively, representing an increase of approximately RMB2,380,202,000 as compared to approximately RMB4,138,998,000 as of 31 December 2019. 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 RMB2,080,249,000, indicating a sound cash flow condition.

During the Review Year, the Group's trade receivables turnover days were approximately 92 days, which were approximately 6 days longer than approximately 86 days in 2019. This was mainly due to the decrease in the Group's revenue under the impacts of the pandemic during the Review Year, while the opening balance of trade receivables for the Review Year increased as compared to that of 2019, resulting in an increase in the average balance of trade receivables.

During the Review Year, the Group's trade payables turnover days were approximately 86 days, increased by approximately 8 days from approximately 78 days in 2019, which was mainly attributable to the extended payment cycle due to the Group's active negotiations with the suppliers and the changes in methods of settlement with the suppliers.

During the Review Year, the Group's inventory turnover days were approximately 94 days, extended by approximately 13 days from approximately 81 days in 2019, which was mainly attributable to the increase in the inventory of finished products for export owing to difficulties in the reservation of shipping space in international logistics and jammed ports under the impact of the pandemic, the increase in the inventory of moulds in line with the increase in new projects under development, as well as the increase in inventory reserves to avoid the risk of rising prices of raw materials.

The Group's current ratio was approximately 1.6 as of 31 December 2020, which was similar to approximately 1.6 as of 31 December 2019. As of 31 December 2020, the Group's gearing ratio was approximately 27.7% (31 December 2019: approximately 21.2%), 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 2020, 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:	
Acquisitions of property, plant and equipment	604,926

INTEREST RATE AND FOREIGN EXCHANGE RISKS

As at 31 December 2020, the balance of the Group's bank borrowings was approximately RMB6,519,200,000, of which approximately RMB2,672,520,000 was bearing at fixed interest rates, and approximately RMB3,846,680,000 was bearing at floating interest rates. The aforesaid borrowings had no seasonality features. In addition, approximately RMB3,029,508,000 of the borrowings was denominated in currencies other than the functional currencies of the Group's related entities, of which the equivalent of approximately RMB1,476,921,000, approximately RMB1,355,222,000 and approximately RMB197,365,000 were denominated in EUR, USD and HKD respectively.

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

As at 31 December 2020, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB407,930,000, of which approximately RMB251,727,000 was denominated in USD, approximately RMB73,584,000 was denominated in EUR, approximately RMB39,709,000 was denominated in HKD, approximately RMB35,251,000 was denominated in Japanese Yen, approximately RMB7,619,000 was denominated in Mexico Peso, and the remainder of approximately RMB40,000 was denominated in other foreign currencies.

As a result of the constant expansion of overseas sales and the 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 2020, the Group had no contingent liabilities (31 December 2019: Nil).

MORTGAGED ASSETS

As of 31 December 2020, the Group had borrowings of approximately RMB770,790,000 and issued bill payables of approximately RMB246,551,000 due within 6 months, which were pledged by bill receivables with par value of approximately RMB162,818,000 and bank deposits of RMB776,000,000. The borrowings are to be settled in RMB (31 December 2019: the Group had borrowings of RMB50,000,000 and issued bill payables of approximately RMB228,097,000 due within 6 months, which were pledged by bill receivables with par value of approximately RMB260,959,000 and bank deposits of RMB500,000. The borrowings are to be settled in RMB).

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 RMB2,362,114,000 (2019: approximately RMB1,674,703,000), which was attributable to the Group's further expansion of its R&D on battery-housing and other innovative products and its overseas market capacity layout during the Review Year and its active implementation of intelligence development strategies and initiative in establishing an intelligent industrial park for future automobiles in alignment with the development trend of the automobile industry. Meanwhile, to offset the impact of the lower utilisation of production capacity arising from the downturn of the PV market, the Group continued to exercise prudent control over the capital expenditure in accordance with the asset-light strategy, and adopted a stringent approval process in respect of investments in fixed assets for traditional product lines.

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 2020, the Group had a total workforce consisting of 17,812 employees, an increase of 1,656 employees when compared to 30 June 2020. The increase is mainly attributable to the recovery of the global PV market in the second half of the Review Year, the Group's European expansions, the development and production needs in the battery housing BU as well as the additional human resources required to push forward the digital transformation.

During the Review Year, based on its core values and code of conduct, and in view of promoting greater support and overall wellness for all of its employees, the Group has continued to roll out the cultural "LOVE" program that taps the potential of the organizations and teams under the Group, and encourages employees to find happiness in all facets within themselves and their families. This forms part of the Group's emphasis on overall wellness so that the employees can continue to support the Group and its customers in the quest for success, both in the short and long term, across the globe. Continuing this emphasis on health, due to the impacts of the global pandemic, the Group has organised Holistic Empowerment Camps to provide support for the physical and psychological well-being of the workforce. 19 sessions of activities have been organized during the Review Year, and over 600 key employees have already participated. At the same time, the Group has rolled out pilot projects in Jiaxing for a childcare facility and senior's center, and has provided care and development activities for employees' children and elderly relatives. Based on the data collected from this trial, they are being incorporated into the designs of the Future Factory as complementary facilities. Continuing this effort to offer overall wellness related activities for life's different stages, such as summer youth camps and the couples' camps, the Group is aiming to gradually improve happiness of all the families of the Group's global employees.

With the continued impact of the global pandemic on global markets and expected economic growth, the Group has accelerated its plans for organisational development and optimization and proceeded with upgrades in corporate management. The Group has implemented a framework known as "the global manufacturing and supply chain layout" in order to better analyze and respond to disruptions in the supply chain around the world. It has also established "a new model of strategic control at the Group level" to drive global business competitiveness and promote greater efficiency and effectiveness of various teams within the Group at the organizational level. In terms of the global supply chain layout, the Group's new factories in Serbia and the UK are now ready for mass production after organizational development throughout the Review Year. Preparations at the Czech factory are proceeding on schedule. With regard to the new model of strategic control at the Group level, the BU organisation of the Group is running efficiently. The Group has completed strategic upgrades in functional units at the headquarters, and established the digital transformation teams and the Future Factory team. The adjustments to the Shared Services Center at the corporate level have also been completed, providing support for the Group's ongoing global success.

From the facet of talent development, the Group has continued to support improvements in its functional teams at both cultural and organizational level, with the support of an e-Learning platform and associated resources. With all the changes in 2020, the Group has been supporting its endeavors by improving strategic thinking and strategic competence of its core employees through a series of workshops so as to enhance the strategic abilities of the Group at both team and organizational level. Digital transformation education projects were implemented to enhance digital competence and awareness of the teams and to put them in a more forward looking mindset. Specialists' skills were enhanced by the establishment of 27 specializations and skills development roadmaps. The Group has continued with its future leadership recruitment, assessment and training programs as well as its international talent assessment and training program. All of these should improve the competence of different teams under the Group on the international stage for the near future as well as in the long term.

SHARE OPTION SCHEME

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

On 28 July 2020, the Board of the Company granted share options to a group of eligible participants (the "Grantees") to subscribe for a total of 28,000,000 shares of the Company, allowing the Grantees to exercise such Share Options starting from 1 July 2021 to 31 December 2025 (both days inclusive). The price per share payable by the Grantees upon exercising the Share Options was determined pursuant to the Listing Rules and with reference to the closing price as stated in the daily quotation sheet of the Stock Exchange on 28 July 2020 (i.e., the date of grant). The Directors considered that the grant of such Share Options would not lead to any material adverse impact on the financial conditions of the Group. Further details of the grant of Share Options mentioned above are set out in the Company's announcement dated 28 July 2020.

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. For details of the said Share Award Scheme, please refer to the announcement of the Company dated 28 July 2020.

FUTURE PROSPECTS AND STRATEGIES

During the Review Year, despite the impact of COVID-19, the Chinese automobile market experienced a marked recovery after setbacks at the beginning of the year, owing to the impetus of various incentives offered by the domestic government, and actual market performance was better than expected. Looking forward to 2021, with the economy being expected to recover following the disruptions caused by the pandemic and assuming the continued relative stability in three major areas, namely the pandemic control, the general macro-economic factors and the current consumption policies, the Chinese automobile market is expected to post a modest and positive year-on-year growth. According to the estimates of IHS Markit, the sales of light vehicles will rise by approximately 5.6%. SUVs are expected to sustain their rapid growth while sedans would experience slower gains. As for NEVs, given consumers' diverse needs for both cost-effective traveling and high-end experience, new energy PVs at both the entry and higher end levels are expected to cannibalize the market share of fuel-powered PVs. Sales of NEVs, including plug-in hybrid electric vehicle and fuel cell vehicles, are estimated to increase by approximately 40% in 2021.

During the Review Year, the world economy fell into a global recession due to the impact and spread of COVID-19, and the automobile markets of all major global economies reported declines. Looking ahead to 2021, with the successful development of vaccines and robust inoculation plans, the global economy is expected to gradually recover with a mild rebound for the automobile market. Among mature markets, the prospects of recovery in Europe are more complicated. Given factors such as the resurgence of the pandemic, uneven economic policies from different nations as well as ongoing Brexit negotiations, growth of the European market is forecasted at around 10%. The US market is also estimated to post 10% growth for the full year, despite an expected slow start, subject to effective control of the pandemic. Emerging markets, like Brazil, Thailand, India and Russia are forecasted to have more significant growth.

Governments around the world are putting policies in place that favour the NEV sector and related businesses. In connection with electrification, manufacturing centers for battery electric vehicles ("BEVs") are mainly situated in China, Europe, North America, Japan and South Korea. According to the estimates of IHS Markit, the total volume of BEV production in the aforesaid countries or regions is expected to reach approximately 11 million units by 2025. Traditional automobile manufacturers will leverage their global production bases to accelerate the overall BEV production. To gain first-mover advantages, automobile manufacturers will most probably form alliances with each other as well as cooperate with battery suppliers for complementary benefits and risk sharing. As for intelligent features, consumer demands will also coax many producers to improve their driving performance and intelligent features which will lead to leaps in the development of technologies such as AI, 5G mobile connectivity and autonomous driving capabilities. Cross-sector cooperation between internet technology companies and automobile manufacturers will continue to grow. In the near future, it is expected that electrification and intelligent features will bring about a significant evolution to the automobile industry's ecology. OEMs and system integration suppliers will be working in closer partnerships with a higher level of interdependence, while standalone parts suppliers will increasingly find themselves in a precarious situation as the integrated systems era looms.

Guided by strategic planning at the corporate level, the Group will optimise and implement strategic planning for BUs at more comprehensive levels to enhance the Group's organisational and operational capabilities in multiple aspects, such as technologies, staffing efficiency and resource usage, with a view to forging comprehensive management strengths. The Group will continue to focus on BU standardisation by building replicable models of excellence for factory operations and management standards for global expansion and replication, while further enhancing the operational and management capabilities of overseas plants and maximising the scope of global resource sharing to bring in cost advantages and generally bolster the global competitiveness of its products.

In 2021, the Group will continue to actively drive MOS implementation, seeking consistent improvements on operations management at the preventive stage. In continued adherence to the cost pillar approach, the Group will seek an ongoing transition from target costs to optimal costs so as to lower overall operating costs and drive the consistent development of standardised operations capabilities. Meanwhile, MOS concepts and standards will be incorporated into the structure and conceptualization of digital transformation and the Future Factory, while setting benchmarks matched with customers' requests following exchanges with them in relation to operational and management excellence, in a bid to achieve synchronised implementation of a system for operational and management excellence.

The Group will carry out the replacement and upgrade of its global application system through digital transformation. With the primary aim of enhancing customer experience, the Group will streamline the entire process from end to end, set data standards according to its unique circumstances to link business processes to research, production, supply management, sales and services, thus facilitating online closed-loop system that oversee the entire process from the receipt of customer orders to product delivery, invoicing and payment collection in a clear and transparent fashion. With the use of globally-advanced automated manufacturing equipment and technologies, the Group will build an intelligent platform to facilitate the establishment of a highly integrated auto parts manufacturing system that interconnects human beings with the equipment, resources, information and materials. The Group expects to develop an operation model that supports it to become a modern enterprise with front-end digitalisation and back-end integration, in order to facilitate swift and coordinated handling of purchase orders, intelligent planning, intelligent warehousing and distribution, intelligent manufacturing, intelligent equipment management and intelligent logistics. These efforts will also contribute to the integration of business and finance, efficient auditing, comprehensive budgeting, digital analysis and rational decision-making, thus promoting the "one unified business process, one unified set of data standards and one unified system platform" initiative on a global basis that nurtures "one professional team" mindset.

The Group has committed itself to the creation of a digital world supported by multi-sense, multi-connection, multi-scenario, and multi-intelligence with the application of next-generation digital technologies. On that basis, the Group aims to optimise and reshape its business in order to innovate and revamp the traditional models of management, operations and business, thus attaining business optimisation and success. The Group is also committed to designing more humanistic plants that will be characterised by greater efficiency, energy conservation and eco-friendliness while promoting safety and comfort through digital transformation, as well as technical platforms with functions to sense, learn, make decisions, execute and adapt in an automated manner.

The Group will continue to work closely with third-party partners and draw on advanced concepts and technologies in the industry in order to introduce optimal solutions and best practices to the construction of the Future Factory. This endeavours to provide the best experience for people with the aid of state-of-the-art technologies and hopefully build the Minth Future Factory into a benchmark for small and medium-sized enterprises in China. The Group expects to unveil Phase I of the Future Factory project to the public in the second half of 2021. At the same time, upon completion of digital transformation of its subsidiaries, the Group will be actively sharing its experiences and successes from the Future Factory with and providing resources to small and medium-sized enterprises in neighbouring regions and beyond, within China. This will become a new business format for the Group to facilitate the improvement of other companies.

For 2021, the Group will be actively monitoring the complex situation of the automobile industry and the challenge of de-globalisation resulting from the new normal after the COVID-19 pandemic. The Group will keep a close eye on the macro development in the industry and related policies that governments are rolling out in the hope of being able to seize opportunities that arise from the recovery and development of the global markets. The Group will be establishing strategic plans to take advantages of the favorable environment for NEVs and the trends of reducing weight, electrification and intelligence in the automobile industry. The Group will also be revising and optimising its current investment portfolio in order to flexibly enhance its value positioning. The Group will continue to reinforce its research with the focus on developing a comprehensive portfolio of new products, materials and technologies, enhance the core strengths of launched products and investigate new business frontiers in order to fuel its stable growth long into the future. Meanwhile, the Group will spare no effort in the development of its traditional products, as it seeks to further reinforce its overall competitiveness in operations and products through improvements of quality as well as the optimisation of costs and global capacity layout, while broadening its product portfolio through the extension and upgrade of existing production processes to further increase its share in the global market segment for traditional products. In an era fraught with both opportunities and challenges, the Group will forge ahead with innovations in its overall operations, committing itself to offering more products and better services with modularised solutions as well as to catering to customers' preferences.

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

During the Review Year, the Grantees of the Share Option Scheme exercised 9,665,500 Share Options in accordance with the rules and terms of the Share Option Scheme, and 2,356,000 Share Options lapsed as a result of the resignations of grantees.

During the Review Year, the trustee of the Share Award Scheme purchased a total of 8,520,000 shares of the Company on the Stock Exchange at a consideration of approximately HK$250,743,000 pursuant to the rules of the Share Award Scheme and the terms of the trust deed.

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 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 Securities and Futures Commission, judgment and order were delivered on 6 November 2019 by the High Court (the "Case"). Details of the Case were set out in the Company's announcements dated 14 April 2014, 29 May 2014, 9 July 2014, 25 October 2019, 6 November 2019 and 7 July 2020, and its 2015–2019 annual reports and 2020 interim report.

After the 2020 interim period, the High Court delivered the final order on 7 July 2020 dismissing Mr. Chin, former executive Director's application for exempting the three private companies from the disqualification order, and the disqualification order for Mr. Chin came into effect.

Save for the above which has now come to full conclusion, the Group was not engaged in any litigation or arbitration of material importance during the Review Year and up to the date of this announcement.

REVIEWED BY THE AUDIT COMMITTEE

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 annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee and approved by the Board for publication.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HKD0.572 per share to shareholders whose names appear on the register of members of the Company on Tuesday, 8 June 2021 and the proposed final dividend will be paid on or about Tuesday, 22 June 2021. The payment of dividends shall be subject to the approval of the shareholders at the forthcoming annual general meeting, which is expected to be held on Monday, 31 May 2021.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU ON THIS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to be consistent with the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Wednesday, 26 May 2021, 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 Wednesday, 26 May 2021 to Monday, 31 May 2021 (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 Tuesday, 25 May 2021.

Shareholders whose names appear on the Company's register of members on Tuesday, 8 June 2021, will qualify for the proposed final dividend. The Company's transfer books and register of members will be closed from Friday, 4 June 2021 to Tuesday, 8 June 2021 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, 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 Thursday, 3 June 2021. The proposed final dividend (the payment of which is subject to the shareholders' approval at the forthcoming annual general meeting) will be payable on or about Tuesday, 22 June 2021 to shareholders whose names appear on the register of members of the Company on Tuesday, 8 June 2021. The shares of the Company will trade ex-dividend on Wednesday, 2 June 2021.

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
Wei Ching Lien
Chairperson

Hong Kong, 26 March 2021

As at the date of this announcement, the Board comprises Ms. Wei Ching Lien, Mr. Chen Bin Bo and Ms. Chin Chien Ya, being executive Directors; and Dr. Wang Ching, Ms. Yu Zheng and Mr. Wu Tak Lung being independent non-executive Directors.