MINTH GROUP LIMITED
敏實集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 425

LIGHT-WEIGHT INTELLIGENCE ELECTRIFICATION

ANNUAL REPORT 2019

CORE VALUES

- Integrity
- Teamwork
- Trust
- Embrace change

VISION

We create beauty in motion with intelligence

MISSION

Make automobiles lighter, prettier and more intelligent

TARGET

To be the top 50 global auto parts supplier in 2025

MIX
Paper from responsible sources
FSC™ C102068
www.fsc.org

This annual report is printed on environmental paper

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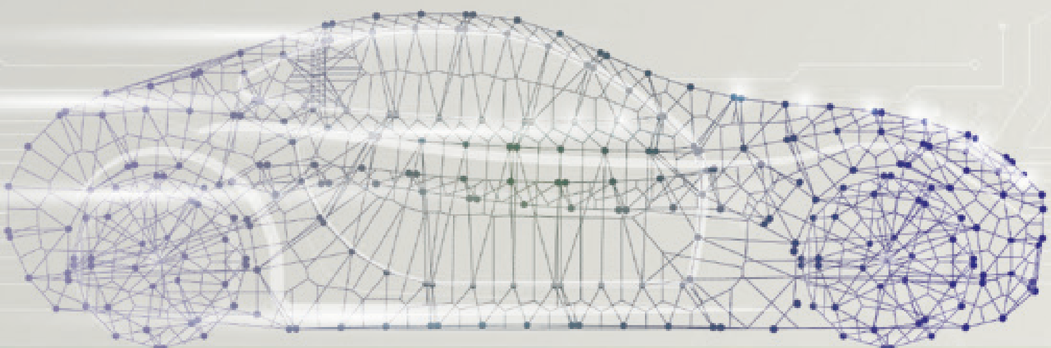

* Should there be any discrepancy between the English and Chinese versions, the English version shall prevail.

CORPORATE INFORMATION

THE BOARD OF DIRECTORS

Executive directors

Huang Chiung Hui
(Chairperson as appointed on 25 October 2019)
Chin Chien Ya
Chin Jong Hwa *(resigned on 25 October 2019)*
Zhao Feng *(resigned on 25 October 2019)*

Independent non-executive directors

Wang Ching
Wu Fred Fong
Yu Zheng

CHIEF EXECUTIVE OFFICER

Chen Bin Bo
(appointed on 21 August 2019)

COMPANY SECRETARY

Yi Lei Li

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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Ningbo Economic and Technological Development Zone
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Fax: (86 574) 8685–6330
Website: www.minthgroup.com

OFFICE IN HONG KONG

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No. 510 King's Road
North Point, Hong Kong

PRINCIPAL BANKERS

Bank of China
Ningbo Development Zone sub-branch
21 Donghai Road
Ningbo Economic and Technological Development Zone
China

Citibank N.A.
Hong Kong Branch
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No. 3 Garden Road
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law
Reed Smith Richards Butler
17th Floor, One Island East
Taikoo Place, 18 Westlands Road
Quarry Bay, Hong Kong

As to PRC Law
Zhejiang T&C Law Firm
11/F Block A Dragon Century Square
1 Hangda Road, Hangzhou
China

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

STOCK CODE

SEHK Code: 0425

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of Minth Group Limited (the "Company") together with its subsidiaries (collectively the "Group") for the last five financial years is as follows:

	For the year ended 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Result					
Turnover	7,654,123	9,399,992	11,384,495	12,553,202	**13,198,189**
Profit before tax	1,568,777	2,118,599	2,488,296	2,046,074	**2,101,278**
Income tax expense	(249,065)	(339,172)	(395,564)	(333,534)	**(336,187)**
Profit for the year	1,319,712	1,779,427	2,092,732	1,712,540	**1,765,091**
Attributable to:					
Owners of the Company	1,271,677	1,719,141	2,025,254	1,660,636	**1,690,300**
Non-controlling interests	48,035	60,286	67,478	51,904	**74,791**
	1,319,712	1,779,427	2,092,732	1,712,540	**1,765,091**

	As at 31 December				
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019** **RMB'000**
Assets and Liabilities					
Total assets	13,155,917	15,050,712	18,108,962	21,268,088	**23,642,675**
Total liabilities	(3,749,501)	(4,195,006)	(5,710,857)	(7,839,382)	**(8,898,981)**
	9,406,416	10,855,706	12,398,105	13,428,706	**14,743,694**
Equity attributable to owners of the Company	9,192,237	10,597,514	12,113,134	13,160,414	**14,324,945**
Non-controlling interests	214,179	258,192	284,971	268,292	**418,749**
	9,406,416	10,855,706	12,398,105	13,428,706	**14,743,694**

CHAIRPERSON'S STATEMENT

Dear Shareholders,

In 2019, we have persisted and steered through the storm in a united effort despite various adverse conditions and obstacles. Looking forward to 2020, the unexpected outbreak of the coronavirus disease 2019 pandemic has evidently affected the automobile market. Prospects for the overall market are less than optimistic, which may drive the market to enter a process of mass screening in coming years. Companies acting in tandem with the trend and moving in the right direction will start to build up strengths and adopt various measures to facilitate sustainable development, while those failing to adapt to changes will be dealt a heavy blow. Our course of action has been consistently underpinned by innovation and ongoing empowerment. Thanks to the outstanding performance of its major customers in the Chinese market and the ongoing positive growth of its overseas business, and also the visionary global layout, the Group's turnover has not been significantly affected despite the doldrums of Chinese PV market. As such, we are confident in taking on an even more challenging year with robust competitiveness.

Given rapidly changing market conditions, we will constantly seek to enhance our sustainable competitiveness, such that we will be able to face challenges and seize opportunities and achieve optimal conditions at all times.

First of all, we will refine our business capabilities, continue to drive the expansion of our global strategic layout, and enhance our global supply capability. The Group reported record-high new business intakes again in 2019, having assured its market share for traditional products while promoting innovative products. In particular, there has been a surge in the battery housing business, with the Group entering the supplier systems of numerous OEMs. To support its business development, the Group has built new plants on top of its existing footprints and complemented them with research and development ("R&D"), sales and design functions, so as to bring the proximity effect into full play for the benefit of product development and market expansion. The Group's organisation has undergone transformation and upgrading and product business units have been set up to facilitate professional operations globally, while the integration of processes, technologies and resources have been implemented to drive shared applications within the Group. We have stepped up with the training of personnel in overseas operations and the building of our talent echelon, with a view to enhancing the Group's delicacy management and global management levels.

Secondly, we will enhance our R&D effort and advance the development of new products, new technologies and new materials in a comprehensive manner on the back of our traditional products. A material R&D centre has been established with specific directions for the application of high molecular materials, and the independent development of materials has substantially increased the competitiveness of the Group's new products. Successive breakthroughs in weight reduction, intelligence and electrification have been made with the support of internationally advanced technological resources that we have put together, so that we could lead the market with innovative products and forge core product competitiveness with the benefit of advanced processes and technologies.

Thirdly, we will engage in continuous reform and development in a bid to proactively create an operating model catered to future development. In 2019, lean production through the Minth Operation Excellence System has proved extremely effective. We will seek comprehensive progress in this regard with stronger efforts, while the operational capability of the plants will be swiftly enhanced and an intelligent lean operation and management platform with Minth characteristics will be developed with the support of SAP and manufacturing execution system. To better facilitate transformation and upgrading while incorporating artificial intelligence technologies into the manufacturing segment in a seamless manner, the Group will actively propel the planning for the construction of intelligent industrial parks such as Future Factory in a full effort to facilitate digital transformation and upgrading.

Facing a critical situation with even more complicated market conditions in 2020, the Group will remain committed to its initial objectives and seize firmly the opportunities presented by the significant structural changes to the automobile industry, address challenges with a correct understanding of the direction for generational upgrades in new products and new technologies and of changes in industrial policies to make more effective judgments and actions. We will also continue to embrace the culture of love, promote overall wellness and behavioral change based on core values and carry forward the "Larger Family Scheme", such as the building of organic farms. We will also launch trainings through Humanities College of Minth Academy to foster a most humanistic workplace and continuously empower staff and teams, with an emphasis on personal growth of staff and the realisation of their potentials, so that we will be backed-up by strong support for our operations. In addition to our existing advantages, we will build on our heritage and embark on new ventures for the future, leaving what lies behind, striving forward to what lies ahead and pressing toward the goal.

Huang Chiung Hui
Chairperson
15 April 2020

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the year ended 31 December 2019 ("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 pre-emptive 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.

Corporate Social Responsibility

While pursuing maximum return to shareholders, the Group actively fulfills its corporate social responsibilities.

During the Review Year, based on its EHS management system, the Group continued to improve its performance in EHS management. 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, endeavoring to build clean factories and green factories. In connection with occupational health and safety, during the Review Year, 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 also actively conducted tests and inspection on occupational hazard and made improvements to the filing of its staff's occupational health status so as to provide a safe and healthy workplace for employees.

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. In terms of talent development, 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, thus building the Minth 4.0 talent echelon.

In respect of supplier management, the Group implemented a mutually sustainable development culture in respect of supplier management. It strictly forbids business corruption of suppliers and upholds a relationship with integrity with suppliers. During the Review Year, the Group continued its efforts on anti-corruption and provided various forms of education for staff on the relevant subjects. Meanwhile, the Group also reinforced its procurement system and internal audit.

With "creating value for the society" as one of its management concepts, the Group continues to offer social services in various forms to show its gratitude and responsibility to the society, and a public welfare system with Minth characteristics is gradually established. During the Review Year, the Group carried out and supported various public welfare activities, such as support for employees in the event of emergency or difficulty (員工急難救助), Hope for Pearl Project (撿回珍珠計劃), Yi Children Class (彝族兒童班), Educational Fund for Teachers and Students in Anji (安吉師生教育基金), Community Governance in Nanhu District of Jiaxing, Financial Aids to Students from Underprivileged Families in Xiuzhou District of Jiaxing, and the Dream Realization Project for College Students from Underprivileged Families (貧困大學生圓夢計劃). During the Review Year, to facilitate the implementation of the Programme of Poverty Alleviation Cooperation System Between East and West in China (東西扶貧協作), the Minth Foundation initiated the Nanhu-Ruoergai Supporting Project in Education (南湖–若爾蓋教育幫扶) to reward the outstanding teachers and enhance the level of the teaching staff in Ruoergai County. The Minth Foundation has funded over 4,000 people with the total donation over RMB7.9 million by the end of the Review Year. During the Review Year, the Group was honored with the Charity Award of Zhejiang Province (浙江省慈善獎) by the People's Government of Zhejiang Province, and the Charity and Donation Award (慈善捐贈獎) by the People's Government of Nanhu District of Jiaxing City.

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:

Customer category	2019 RMB'000	2019 %	2018 RMB'000	2018 %
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.

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 coronavirus disease 2019 ("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.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Huang Chiung Hui (黃瓊慧) ("Ms. Huang"), aged 48, is the Chairperson and an executive Director of the Company and the Chief Human Resources Officer ("CHO") of the Group. Ms. Huang is a seasoned senior HR executive and brings with her more than 20 years of global HR experience from the banking and manufacturing industries such as Citigroup (in New York Headquarters, Singapore and Taiwan), Taiwan Cement, and ANZ Banking Group. Prior to joining the Group, she has been in various senior HR leadership roles and particularly focused on driving talent strategy and solutions, organizational development, global leadership development initiatives, M&As and HR transformations. Ms. Huang graduated from National Tsing Hua University where she majored in Economics and obtained her MBA degree (in Human Resources Management) from City University Business School in London, UK. Ms. Huang was nominated as CHO of the Group on 1 September 2014, was appointed as a Director on 26 May 2016, and as Chairperson of the Company on 25 October 2019. As at 31 December 2019, Ms. Huang was interested in 1,500,000 Share Options in the Company. Since Ms. Huang is the spouse of Mr. Bau Hsin Hong ("Mr. Bau"), she is deemed to be also interested in the 300,000 Share Options in which Mr. Bau was interested. Accordingly, Ms. Huang was interested in 1,800,000 Share Options in the Company. As at 31 December 2019, save as disclosed herein, Ms. Huang had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Chin Chien Ya (秦千雅) ("Ms. Chin"), aged 31, is an executive Director of the Company. Ms. Chin is responsible for the operations management and business development of Minth North America including US and Mexico. Ms. Chin graduated from Boston College, majoring in Business Management, Accounting and Theoretical Mathematics and later obtained her master's degree from the Harvard Graduate School of Education, researching in adult and organization training, education and development. Prior to joining the Group in August 2015, she was responsible for operations and marketing in a startup company in Taiwan, and afterwards worked in public relations, providing consulting services for international companies on corporate social responsibility. Ms. Chin was appointed as a Director on 26 May 2016, and she is the daughter of Mr. Chin Jong Hwa ("Mr. Chin", former executive Director who resigned with effect from 25 October 2019). As at 31 December 2019, save for her interest in 100,000 Share Options in the Company, Ms. Chin had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Independent Non-executive Directors

Wang Ching (王京) ("Dr. Wang"), aged 65, is an independent non-executive Director and the chairman of the nomination committee of the Company ("Nomination Committee"). Dr. Wang has over 28 years' managerial experience in investment banking, securities, treasury and asset management in the United States, Hong Kong, Taiwan and the PRC. He is currently the executive director of Shanghai International Asset Management (HK) Co., Ltd., a licensed corporation registered with Hong Kong Securities and Futures Commission and the executive director of Shanghai International Shanghai Growth Investment Limited, an investment fund company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Dr. Wang also serves as an independent non-executive director of China Shuifa Singyes Energy Holdings Limited and Luen Thai Holdings Limited, both listed on the Stock Exchange, in which he advises the management on financial development and internal control. Dr. Wang received his doctorate degree from the Graduate School of Business, Columbia University in 1992. Dr. Wang joined the Company as an independent non-executive Director on 26 October 2005. As at 31 December 2019, save for his interest in 180,000 Share Options in the Company, Dr. Wang had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Wu Fred Fong (胡晃) ("Mr. Wu"), aged 72, is an independent non-executive Director and chairman of the audit committee of the Company ("Audit Committee"). Mr. Wu has considerable directorship and corporate governance experience and has been involved in auditing, corporate planning, corporate finance, investment, consulting with public companies in Canada and Hong Kong. Mr. Wu holds an MBA degree in the Schulich School of Business, York University, Canada. Mr. Wu is a Chartered Accountant qualified in Canada and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wu joined the Company as an independent non-executive Director on 1 January 2009. As at 31 December 2019, save for his interest in 240,000 Share Options in the Company, Mr. Wu had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Yu Zheng (鄭豫) ("Ms. Zheng"), aged 51, is an independent non-executive Director and chairman of the remuneration committee of the Company ("Remuneration Committee"). Ms. Zheng is a partner at Advantage Partners Asia Fund. She has over 20 years' extensive experience in private equity, management consultancy and corporate management. She was the managing director at PineBridge Investments (former AIG Investments) from 2008 to 2012. Ms. Zheng was a senior partner at Roland Berger Strategy Consultants and a Principal with the Boston Consulting Group. Ms. Zheng served as president of the sales company of Brilliance Auto Group from 2003 to 2004. In addition, she has been serving Fufeng Group (a company listed on the Stock Exchange) as an independent non- executive director. She also worked in the computer industry for years in China and the U.S. Ms. Zheng has a bachelor's degree of science in Computer Science from Beijing Normal University and an MBA degree from the University of Texas at Austin. Ms. Zheng joined the Group and was appointed as a non- executive Director of the Company on 1 January 2008, and was redesignated as an independent non-executive Director of the Company on 26 May 2016. As at 31 December 2019, Ms. Zheng was interested in 300,000 Share Options in the Company. Since Ms. Zheng is the spouse of Mr. Wei Wei ("Mr. Wei"), she is deemed to be also interested in the 1,010,000 Shares in which Mr. Wei was interested. Accordingly, Ms. Zheng was interested in 1,010,000 Shares and 300,000 Share Options in the Company. As at 31 December 2019, save as disclosed herein, Ms. Zheng had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

Chen Bin Bo (陳斌波) ("Mr. Chen"), aged 56, is the Chief Executive Officer ("CEO") of the Company, and holds a Master's degree in engineering management and a Bachelor's degree in marine internal combustion engine from Huazhong University of Science and Technology. Mr. Chen has over 30 years' experience in automotive industry including but not limited to the areas of research and development, sales and management. Prior to joining the Group as special assistant to the Chairman of the Group in November 2018, Mr. Chen was the executive deputy general manager of Dongfeng Honda Automobile Co., Ltd. from 2009 to 2018. He also worked successively at Dongfeng Motor Co., Ltd., Dongfeng Peugeot Citroen Automobile Co., Ltd., Guangzhou Aeolus Automobile Co., Ltd. and Dongfeng Nissan Passenger Vehicle Company in various roles from 1987 to 2009. Mr. Chen was appointed as CEO on 21 August 2019. As at 31 December 2019, Mr. Chen had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Yi Lei Li (易蕾莉) ("Ms. Yi"), aged 46, is the Company Secretary of the Company. Ms. Yi graduated from East China Normal University in 1994 where she majored in English Language and Literature. Prior to joining the Group in February 2001, she was a lecturer at the Faculty of Foreign Languages in Ningbo University. Ms. Yi has 19 years of experience in the Company's business and operation through her successive roles as manager of the Human Resources Department, manager of Overseas Business Development Department, assistant to general manager and the head of the Investor Relations Department of the Group. Ms. Yi was appointed as the Company Secretary of the Company on 8 February 2018. As at 31 December 2019, save for her interest in 210,000 Shares and 310,000 Share Options in the Company, Ms. Yi had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Zhang Yuxia (張玉霞) ("Ms. Zhang"), aged 40, is the Chief Financial Officer ("CFO") of the Group. After graduating from University of Science and Technology Beijing in which she majored in metal pressure processing, she received her Master's degree in management from the same university. Ms. Zhang has over 15 years' extensive experience and knowledge in finance, taxation and global M&A management and is a qualified CPA. Prior to joining the Group, Ms. Zhang worked for Beiqi Foton Mortor Co., Ltd., and then joined Reanda Certified Public Accountants LLP as certified public accountant and project manager. Since 2008, she continued her career in Minth Holdings Limited and its subsidiaries as audit manager, financial manager and financial director. Ms. Zhang joined the Group in February 2019 and was appointed as CFO in March 2019. As at 31 December 2019, save for her interest in 20,000 Shares in the Company, Ms. Zhang had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Liu Yan Chun (劉艷春) ("Mr. Liu"), aged 54, is the Chief Operating Officer ("COO") of the Group. Mr. Liu is in charge of the overall management of the operation system, with particular emphasis on the management of operational efficiency improvement. Mr. Liu graduated from Harbin Institute of Technology in 1989, majoring in industrial management engineering, and has been engaged in production management since graduation. Since joining the Group in 1999, Mr. Liu has worked successively as quality system manager, senior plant manager, regional general manager, assistant to the Chairman and general manager of the R&D Centre of the Group. He has extensive experience in quality system, factory, R&D and operations management. Mr. Liu was appointed as COO on 1 September 2019. As at 31 December 2019, save for his interest in 300,000 Share Options in the Company, Mr. Liu had no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Wong Ching Li (王景立) ("Mr. Wong"), aged 61, is the Managing Director of Minth Europe, with overall responsibilities for operations management. Mr. Wong graduated from Ohio State University majoring in Industrial and Systems Engineering and obtained Master' and Doctor's degrees in 1986 and 1989, respectively. He also received an MBA Degree from Massachusetts Institute of Technology in 1999 as a Sloan Fellow. Mr. Wong has over 30 years of experience in automotive, IT and manufacturing industry. Prior to joining the Group as Chief Technology Officer in November 2010, Mr. Wong has worked in the USA, Korea, Hong Kong, and China as president or vice president of six corporations. As of 31 December 2019, save for his interest in 190,000 Shares and 850,000 Share Options in the Company, Mr. Wong has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Group commits to maintaining and ensuring a high level of corporate governance standards and continuously reviews and improves its corporate governance and internal control practices. Save as disclosed herein, the Company has fully complied with all code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange for the Review Year. Set out below are the principles of corporate governance as adopted by the Company during the Review Year.

DISTINCTIVE ROLES OF CHAIRMAN, CHIEF EXECUTIVE OFFICER AND SENIOR MANAGEMENT

Mr. Chin, the Chairman of the Company and CEO during the period from 1 January 2019 to 20 August 2019, was responsible for leading the Board in establishing and monitoring the implementation of strategies and plans to create values for Shareholders, managing the operations of the Group's businesses, proposing strategies to the Board and the effective implementation of the strategies and policies adopted by the Board.

With effect from 21 August 2019, Mr. Chin ceased to be the CEO, and Mr. Chen was appointed as the CEO. With effect from 25 October 2019, Mr. Chin ceased to be the Chairman of the Company, and Ms. Huang was appointed as the Chairperson of the Company.

Paragraph A.2.1 of the Code provides that the chairman and CEO should be separate and should not be performed by the same individual. During the period from 1 January 2019 to 20 August 2019 when the Company was in the process of identifying a suitable successor for the position of the Company's CEO, the Board was of the view that the above arrangement was in the best interest of the Group, with the business of the Group predominantly managed on a daily basis by Mr. Chin. The Board held periodical meetings to consider major matters related to the Group's operations and believed that such structure will not harm the balance of power and authority between Directors as Mr. Chin was one out of a total of seven Directors during the relevant period. The other executive Directors are designated for different functions, which are supplementary to the role of the chairman and CEO. The Board believes that such structure strengthened leadership and facilitated the effective operation of the Group during the relevant period. This deviation from the Code ceased as the Company appointed Mr. Chen as the new CEO on 21 August 2019, further details of which are set out in the Company's announcement dated 21 August 2019.

The senior management is delegated to assist the executive Directors with the implementation of business operations and reports to the CEO.

THE BOARD

As of 31 December 2019, there are five members on the Board, which are the Chairperson, another executive Director and three independent non-executive Directors ("INEDs").

The INEDs are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the INEDs brings his or her own relevant expertise to the Board and its deliberations.

None of the INEDs has any business or financial interests with the Group nor has any relationship with other Directors and confirmed their independences to the Group.

The Board met regularly during the year and on ad hoc basis as required by business needs. During the Review Year, the Board also performed the following corporate governance duties:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(v) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

The Board met 13 times during the Review Year and the Directors' attendance is shown in the table on page 27 of the annual report.

INEDs are allowed to seek advice from independent professional consultants while performing their responsibilities and the costs are to be borne by the Company. The Board has conducted a review of the effectiveness of the system of internal control of the Group.

Save for their business relationships as a result of their respective directorships and positions in the Company and what is disclosed in their biographies on page 19 to page 21 of the annual report, each of the members of the Board, including the Chairman and the CEO, does not have any significant financial, business, family or other material/relevant relationship among one another.

Article A.4.1 of the Code stipulates that non-executive directors shall be appointed for a specific term and be subject to re-election. All the independent non-executive directors have been appointed for an initial term of one year.

AUDIT COMMITTEE

The Group has established an Audit Committee with written terms of reference as suggested under the Code. As of 31 December 2019, the Audit Committee comprises all INEDs, namely Mr. Wu, Dr. Wang and Ms. Zheng. As of 31 December 2019, the chairman of the Audit Committee was Mr. Wu. Each member can bring to the Audit Committee his or her valuable experience in reviewing financial statements and evaluating significant control and financial issues of the Group who among themselves possess a wealth of management experience in the accounting profession or commercial sectors. The Audit Committee held two meetings during the Review Year and the relevant Directors' attendance is shown in the table on page 27 of the annual report.

The main duties of the Audit Committee are as follows:

(i) to review the half-year and annual financial statements before they are submitted to the Board for approval;

(ii) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

(iii) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(iv) to review the Company's financial controls, internal controls and risk management systems;

(v) to review the Group's financial and accounting policies and practice;

(vi) to review and monitor the effectiveness of the internal audit function; and

(vii) to review the terms and conditions of connected transactions of the Group.

The Audit Committee reviewed the financial statements of the Group for the Review Year prior to recommending the financial statements to the Board for approval. The Board was informed that the Audit Committee had conducted a review of the effectiveness of the system of internal control and internal audit function of the Group. The Board has not taken a different view from that of the Audit Committee regarding the selection, resignation or dismissal of the external auditors.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee in November 2005. Its terms of reference are summarized as follows:

(a) formulate remuneration policy for approval by the Board, and implement the remuneration policy laid down by the Board;

(b) without prejudice to the generality of the foregoing:

  (i) to make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

  (ii) to ensure no director or any of his associates is involved in deciding his own remuneration;

  (iii) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management. Remuneration packages include benefits in kind, pension rights and compensation payable for loss or termination of their office or appointment;

  (iv) to make recommendations to the Board on the remuneration of non-executive Directors;

  (v) the Remuneration Committee should consult the Chairman and/or the CEO about their remuneration proposals for other executive Directors;

(vi) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(vii) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(viii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

As of 31 December 2019, the Remuneration Committee comprises all three INEDs namely Mr. Wu, Dr. Wang, and Ms. Zheng. Ms. Zheng was the chairman of the Remuneration Committee.

The Remuneration Committee held one meeting during the Review Year to discuss remuneration related matters including determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts and the relevant Directors' attendance is shown in the table set out on page 27 of the annual report.

In order to attract, retain, and motivate executives and key employees serving the Group, the Company has adopted a conditional share option scheme (the "2012 Share Option Scheme") on 22 May 2012. The 2012 Share Option Scheme aims at granting share options pursuant to the terms of the 2012 Share Option Scheme to those qualified persons who have contributed or will contribute to the Group as a reward or incentive.

Details of the amount of Directors' emoluments are set out in note 12 to the consolidated financial statements and details of the 2012 Share Option Scheme are set out in the Directors' Report and note 42 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 21 March 2012. Its duties are summarized as follows:

(a) formulate nomination policy for the Board's consideration and implement the Board's approved nomination policy; and

(b) without prejudice to the generality of the foregoing:

(i) to review the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) to identify individuals suitably qualified to become Board members and select or make recommendations on the selection of individuals nominated for;

(iii) to assess the independence of independent non-executive Directors;

(iv) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the CEO;

(v) to do any such things to enable the Nomination Committee to perform its responsibilities and functions conferred on it by the Board; and

(vi) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's articles of association (the "Articles") or imposed by legislation.

As of 31 December 2019, the Nomination Committee comprises all three INEDs, namely Mr. Wu, Dr. Wang and Ms. Zheng. Dr. Wang was the chairman of the Nomination Committee.

During the Review Year, the Nomination Committee held one meeting to (i) review the structure, size and composition (including the gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board; (ii) assess the independence of INEDs; and (iii) adopt the Board diversity policy. Directors' attendance is shown in the table set out on page 27 of the annual report.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional knowledge and experience, industry knowledge and experience and technical skills. The Nomination Committee would consider and, where applicable, agree on measurable objectives for achieving diversity on the Board and make recommendation to the Board. During the Review Year, the Nomination Committee has not set any measurable objectives for implementing the policy. The Nomination Committee considered the current composition of the Board to be appropriate taking into account of the above.

According to the director nomination policy, in evaluating and selecting a candidate for directorship, the following criteria shall be considered:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience and diversity criteria under the Board diversity policy of the Company which are relevant to the Company's business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- the potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence, gender diversity and diversity of perspectives;
- willingness and ability to devote sufficient time to discharge duties as a member of the Board and/or Board committee(s); and
- such other criteria which are appropriate to the Company's business and corporate strategy and the Board's succession plan and, where applicable, which may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

The Nomination Committee has also implemented the following procedures and processes in respect of the nomination of Directors pursuant to the director nomination policy:

- The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management of the Company and external recruitment agents, and shall, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- If the process yields more than one qualified candidates, the Nomination Committee and/or the Board shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- The Nomination Committee shall then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- For any person who is nominated by any shareholder of the Company for election as a Director at any general meeting of the Company, the Nomination Committee and/or the Board shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- Where appropriate, the Nomination Committee and/or the Board shall make recommendation to the shareholders of the Company in respect of the proposed election of Director(s) at the general meeting of the Company.

SHAREHOLDERS' RIGHTS

Shareholders have the right to receive dividends according to the Company's dividend policy which is summarized as follows:

- The Company shall, when recommending or declaring dividends, maintain adequate cash reserves for meeting its working capital requirements and needs for future growth as well as its share value in the long-run.

- The declaration of dividend(s) and/or the amount of dividends (if any) that may be declared and distributed to the shareholders of the Company is subject to the discretion of the Board, the constitutional documents of the Company, all applicable laws and regulations and the factors set out below.

- The Board shall also take into account the following factors of the Company and its subsidiaries when considering the declaration and payment of dividends:

  — financial results;

  — cash flow situation;

  — availability of distributable profits;

  — business conditions and strategies;

  — future operations and earnings;

  — development plans;

  — cash requirements;

  — capital requirements and expenditure plans;

  — interests of shareholders as a whole;

  — any restrictions on declaration and/or payment of dividends; and

  — any other factors that the Board may consider relevant.

- Depending on the financial conditions of the Group and the conditions and factors as set out above, the following dividends may be proposed and/or declared by the Board for a financial year or period:

  — interim dividend;

  — final dividend;

  — special dividend; and

  — any distribution of net profits that the Board may deem appropriate.

- Any final dividend for a financial year shall be subject to shareholders' approval.

- The Company may declare and pay dividends by way of cash or scrip or by any other means that the Board considers appropriate.

- Any dividend unclaimed shall be forfeited and reverted to the Company in accordance with the constitutional documents of the Company and all applicable laws and regulations.

Shareholders have right to raise questions and make suggestions on the business of the Company. All Shareholders shall have equal rights according to their respective shareholding and assume corresponding obligations.

Shareholders are entitled to get access to and participate in the material matters of the Company as prescribed by laws, administrative regulations and the Articles.

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisition(s) himself (themselves) may do so in the same manner.

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Branch Registrar and Transfer office, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. If the Shareholders and the investors make a request for the Company's information, the Company will only provide such information to the extent that it is practicable to do so and such information is publicly available. Shareholders and the investors may communicate with the Company by mail, telephone, fax and email, details for which are made available on the Company's website.

Composition of the Board and the Directors' attendance record for the year ended 31 December 2019

	2019 annual general meeting ("AGM")	The Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of Meetings	1	13	2	1	1
Executive Directors					
Huang Chiung Hui	1	13	N/A	N/A	N/A
Chin Chien Ya	0	13	N/A	N/A	N/A
Chin Jong Hwa *(resigned on 25 October 2019)*	1	13	N/A	N/A	N/A
Zhao Feng *(resigned on 25 October 2019)*	0	13	N/A	N/A	N/A
Independent Non-executive Directors					
Wang Ching	1	13	2	1	1
Wu Fred Fong	1	13	2	1	1
Yu Zheng	1	13	2	1	1

INDEPENDENCE INFORMATION

The Company has received, from each of the INEDs, a confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs independent.

DIRECTOR'S TRAINING AND DEVELOPMENT

Development and training of Directors is an ongoing process so that they can perform their duties appropriately. The Company regularly circulates details of training courses which may be of interest to Directors. All Directors are encouraged to attend relevant training courses.

During the Review Year, all Directors have participated in professional trainings to update their knowledge and skills. All Directors have provided the Company with their training records for the year.

The Company Secretary has confirmed her attendance of more than 15 hours of professional training during the Review Year.

According to the records maintained by the Company, the Directors received the following training with the emphasis on the roles, functions and duties of a director of a listed company in compliance with the Code on the continuous professional development during the Review Year:

	Corporate Governance/ Updates on Laws, Rules and Regulations/Updates on Industry Specific	
	Written Materials	**Briefings/Seminars**
Executive Directors		
Huang Chiung Hui	✓	✓
Chin Chien Ya	✓	✓
Chin Jong Hwa *(resigned on 25 October 2019)*	✓	✓
Zhao Feng *(resigned on 25 October 2019)*	✓	✓
Independent Non-executive Directors		
Wang Ching	✓	✓
Wu Fred Fong	✓	✓
Yu Zheng	✓	✓

AUDITOR'S REMUNERATION

The Company's independent external auditor is Deloitte Touche Tohmatsu. The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the Review Year, the services (and associated remuneration) provided to the Company by Deloitte Touche Tohmatsu were as follows:

	RMB'000
Audit services	3,730
Tax and legal advisory services	1,084
Total	4,814

RISK MANAGEMENT AND INTERNAL CONTROL

The Board understands that appropriate internal control and risk management are indispensable to effective governance and fulfillment of strategic objectives of the Group. The Board has also confirmed that the Board is responsible for ensuring the Group to maintain appropriate and effective internal control at any time to safeguard the interest of its shareholders and the assets of the Group. The Board will review the risk management and internal control systems annually. The Board has conducted reviews over the risk management and internal control during the Review Year, and identified the efficiency and sufficiency of risk management and internal control.

The Group has established three barriers for risk management and internal control. The first barrier is the identification, evaluation and acknowledgement of risks and critical control points during the operating process by different levels of management from each functional unit, with internal controls by means such as verification of authorization, physical control and separation of duties. The second barrier is the internal review of each functional unit or department. Regular internal review in respects of human rights, financial rights and related procedures is conducted by departments of the Group headquarters, such as Human Resources Department and Finance Department, to ensure the compliance with laws and regulations and requirements of the Stock Exchange, as well as the accuracy and fairness of the financial statements. Due diligence are established in every functional unit to conduct self review and evaluation. The third barrier is the establishment of an audit and supervision department, which is independent of the business operation for the Group, to conduct irregular internal reviews over every system and subsidiaries or departments. In the case of material risks and loophole of internal control, the audit and supervision department will expand its coverage of auditing and report to the Audit Committee in a timely manner. Apart from sufficient allocation of resources, the Group ensures that the internal audit team can get access to all business filings, accounting records and related staff, so as to guarantee the effectiveness of its internal audit function. Whilst the three aforesaid barriers are positioned for risk management and internal control, the Group organizes seminars when necessary, where participants at all levels put forward cross-functional quick response and effective countermeasures towards the identified issues with potential high risk. Through the above, the Group can ensure that risk can be controlled within tolerance, and internal control can be effectively carried out.

The risk management and internal control system of the Group aims to manage, but not completely eliminate, the risks which hinder the achievement of business objectives, which only provides reasonable assurance, while cannot guarantee that material false statements and damages will be fully avoidable.

The Board considered that the Group's risk management and internal control systems maintained by the management are effective and adequate to address the financial, operational and compliance controls and risk management of the Group during the Review Year.

INVESTOR RELATIONS AND COMMUNICATION

Through its Investor Relations Department, the Company maintains proactive communications with investors, sell-side analysts and other capital market participants so as to enable them to fully understand the operation and development of the Group. The Company's senior management presents in briefings or conference calls for its annual and interim results every year. Through various activities such as analyst meetings and road shows, senior management provides public investors with updates of important information and responds to key questions which are of concerns to the investors. This has helped to reinforce the understanding of the Company's business and the overall development of the industry. The Company holds its AGM in Hong Kong or Mainland China every year. Shareholders are encouraged to attend the AGM, and voice any concerns or suggestions, so as to facilitate the direct communication between the Board and Shareholders.

As to the forthcoming AGM, in light of the outbreak of the COVID-19 pandemic, to safeguard the health and safety of Shareholders and other participants of the AGM and to prevent the spreading of COVID-19, the Company will implement a series of precautionary measures at the AGM. For the health and safety of Shareholders, the Company encourages Shareholders to appoint the Chairman of the AGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the AGM in person. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

The Group thoroughly maintains and enhances its transparency. Financial reports, public announcements and calendar of events of the Company are available to investors through its website http://www.minthgroup.com. The Company attaches great importance to maintaining communications with investors and sell-side analysts. During the Review Year, the Company accommodated about 140 visits and conference calls for investors or sell-side analysts, and participated in 16 investment forums, 6 of which were held by Chinese brokers, in order to enhance communication between the Company and investors. With the enrichment of the production footprints and product lines, the Group timely arranges on-site visits to help investors better understand the innovative products, production and operations of the Group. During the Review Year, plant tours at the Group's facilities in Ningbo, Huai'an, Jiaxing, Guangzhou, Wuhan and Qingyuan were arranged, during which participants visited the production lines at the Group's R&D Centre, and for the products such as aluminium products, chrome plated and painted products and door frames.

The Company would like to express its heartfelt gratitude to the Shareholders and other capital market participants for their consistent support, and its management and investor relations team will adhere to high ethical standards and continue to work with a humble and enthusiastic attitude, so as to maintain efficient communication with the investment community.

There was no change in the Company's constitutional documents during the Review Year.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for preparing the accounts and the reporting responsibilities of the external auditor to the Shareholders are set out on page 43 of the annual report.

LOOKING FORWARD

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take necessary actions to ensure compliance with the provisions of the Code.

DIRECTORS' REPORT

The Board is pleased to present the annual report and the audited financial statements of the Group for the Review Year.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company while its subsidiaries are engaged in design, manufacturing, processing, developing and sales of automobile body parts and moulds of passenger cars. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the Review Year, and an indication of likely future development in the Group's business, can be found in the "Summary of Financial Information", "Chairman's Statement" and "Management Discussion and Analysis" sections of the annual report.

RESULTS

The results of the Group for the Review Year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 45 of the annual report.

DIVIDENDS

The Board has recommended the payment of a final dividend of HKD0.656 per share to shareholders whose names appear on the register of members of the Company on Friday, 5 June 2020 and the proposed final dividend will be paid on or about Friday, 19 June 2020. 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 Thursday, 28 May 2020.

PROPERTY, PLANT AND EQUIPMENT

During the Review Year, the Group incurred approximately RMB1,674,703,000 for the acquisition of property, plant and equipment. Details of these and other movements in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL AND RESERVES

During the Review Year, the Company has issued 3,737,500 Shares as a result of the exercise of Share Options granted pursuant to the 2012 Share Option Scheme. The total consideration received by the Company for such issue during the Review Year amounted to approximately HKD56,076,000.

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

Movements in the reserves of the Group and the Company during the Review Year are set out in the Consolidated Statement of Changes in Equity on page 49 of the annual report.

The Company's reserves available for distribution represent the share premium, reserves and profit which in aggregate amounted to approximately RMB6,269 million as at 31 December 2019. Under the Companies Law, Cap 22 (Law 3 of 1961, consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to Shareholders subject to the provisions of the Company's memorandum and Articles and provided that immediately following the date on which distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles, dividends may be declared and paid out of the profits of the Company, realised or unrealised or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividend may also be declared and paid out of share premium account of the Company.

DEBENTURES

During the Review Year, the Company did not issue any debentures.

FINANCIAL SUMMARY

A summary of the results of the assets and liabilities of the Group for the last five financial years is set out on page 3 of the annual report. The results do not constitute a part of the audited financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

For the Review Year, the largest customer accounted for approximately 6.7% of the Group's revenue, and the five largest customers accounted for approximately 24.1% of the Group's revenue.

The purchases for the Review Year attributable to the Group's largest supplier and five largest suppliers were approximately 2.4% and approximately 6.3% of the Group's total cost of goods sold respectively.

None of the Directors, their respective associates or the existing shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital), has any interests in the Group's five largest customers and/or suppliers for the Review Year.

DONATION

During the Review Year, the donations made by the Group amounted to approximately RMB1,689,000 (2018: approximately RMB427,000).

DIRECTORS

The Directors of the Company during the Review Year and up to the date of the annual report were:

Executive directors

Huang Chiung Hui *(Chairperson as appointed on 25 October 2019)*

Chin Chien Ya

Chin Jong Hwa *(resigned on 25 October 2019)*

Zhao Feng *(resigned on 25 October 2019)*

Independent non-executive directors

Wang Ching

Wu Fred Fong

Yu Zheng

In accordance with Article 87 of the Articles, Mr. Wu, Dr. Wang and Ms. Zheng will retire from office at the forthcoming AGM of the Company. Dr. Wang and Ms. Zheng, both being eligible, will be offering themselves for re-election at the forthcoming AGM of the Company, while Mr. Wu has agreed with the Company that he will not be offering himself for re-election and his directorship with the Company shall cease at the conclusion of the forthcoming AGM of the Company, and appointment of new INED will be nominated and proposed for the Shareholder's approval at the forthcoming AGM so as to meet the minimum number of INEDs required under Rule 3.10 of the Listing Rules.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles, every Director of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of the duty, or supposed duty, in his office or trust, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to him. Such permitted indemnity provision was in force during the Review Year and at the time of approval of the annual report.

DIRECTORS' SERVICE CONTRACTS

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming AGM has entered into a service contract which is not determinable by the Company or its subsidiaries within one year without payment of compensation, other than statutory compensation.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wang was appointed as an independent non-executive Director on 26 October 2005 and his appointment was most recently renewed to the Company's forthcoming AGM.

Mr. Wu was appointed as an independent non-executive Director on 1 January 2009 and his appointment was most recently renewed to the Company's forthcoming AGM.

Ms. Zheng was redesignated as an independent non-executive Director on 26 May 2016 and her appointment was most recently renewed to the Company's forthcoming AGM.

The Company has received, from each of the INEDs, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT

The remuneration paid to the Directors, by name, for the year ended 31 December 2019 is set out in note 12 to the consolidated financial statements.

The remuneration of senior management, by band, for the year ended 31 December 2019 is set out below:

	2019 No. of employees	2018 No. of employees
HKD1,000,001 to HKD1,500,000	**1**	0
HKD1,500,001 to HKD2,000,000	**1**	2
HKD2,000,001 to HKD2,500,000	**1**	0
HKD3,000,001 to HKD3,500,000	**0**	1
HKD3,500,001 to HKD4,000,000	**1**	1
HKD7,500,001 to HKD8,000,000	**1**	0

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management are set out on pages 19 to 21 of the annual report.

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

As at 31 December 2019, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Interests or short positions in the shares of the Company and its associated corporations

Name of Director	Company/ Name of Associated Corporation	Long/Short Position	Capacity	Total Number of Ordinary Shares	Percentage of the Company's Issued Share Capital as at 31 December 2019 (Note 1)
Huang Chiung Hui	Company	Long position	Beneficial owner Interest of spouse	1,500,000 300,000 (Note 2)	0.13% 0.03%
Chin Chien Ya	Company	Long position	Beneficial owner	100,000 (Note 3)	0.01%
Chin Jong Hwa	Company	Long position	Interest of controlled corporation	450,072,000 (Note 4)	39.14%
Zhao Feng	Company	Long position	Beneficial owner Interest of spouse	1,600,000 100,000 (Note 5)	0.14% 0.01%
Wu Fred Fong	Company	Long position	Beneficial owner	240,000 (Note 6)	0.02%
Wang Ching	Company	Long position	Beneficial owner	180,000 (Note 6)	0.02%
Yu Zheng	Company	Long position	Beneficial owner Interest of spouse	300,000 1,010,000 (Note 7)	0.03% 0.09%

Note 1: The percentage of the Company's issued share capital is based on the 1,149,990,000 Shares issued as at 31 December 2019.

Note 2: These figures represent (i) 1,500,000 Share Options granted to Ms. Huang under the 2012 Share Option Scheme that are exercisable and (ii) 300,000 Shares Options granted to Mr. Bau under the 2012 Share Option Scheme that are exercisable. Upon exercise of the Share Options, Ms. Huang will acquire 1,500,000 Shares. Since Ms. Huang is the spouse of Mr. Bau, she is also deemed to be interested in the aforesaid Shares in which Mr. Bau is interested.

Note 3: This figure represents the 100,000 Share Options granted to Ms. Chin under the 2012 Share Option Scheme that are exercisable. Upon exercise of the Share Options, Ms. Chin will acquire an aggregate of 100,000 Shares.

Note 4: As at 31 December 2019, Minth Holdings Limited ("Minth Holdings") is beneficially interested in 450,072,000 Shares. Minth Holdings is wholly-owned by Mr. Chin and he is therefore deemed to be interested in the entire 450,072,000 Shares held by Minth Holdings. Mr. Chin resigned as Chairman and executive Director of the Company with effect from 25 October 2019.

Note 5: These figures represent (i) the aggregated number of 900,000 Shares held by Mr. Zhao and 700,000 Share Options granted to Mr. Zhao under the 2012 Share Option Scheme that are exercisable and (ii) 100,000 Shares held by Ms. Zhu Chun Ya ("Ms. Zhu"). Upon exercise of the Share Options, Mr. Zhao will acquire an aggregate of 1,600,000 Shares. Since Mr. Zhao is the spouse of Ms. Zhu, he is deemed to be interested in the aforesaid Shares in which Ms. Zhu is interested. Mr. Zhao resigned as executive Director of the Company with effect from 25 October 2019.

Note 6: These figures represent the number of Share Options granted to Mr. Wu and Dr. Wang under the 2012 Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Wu and Dr. Wang will acquire 240,000 Shares and 180,000 Shares, respectively.

Note 7: These figures represent (i) 300,000 Share Options granted to Ms. Zheng under the 2012 Share Option Scheme that are exercisable and (ii) 1,010,000 Shares held by Mr. Wei. Upon exercise of the Share Options, Ms. Zheng will acquire 300,000 Shares. Since Ms. Zheng is the spouse of Mr. Wei, she is deemed to be interested in the aforesaid Shares in which Mr. Wei is interested.

Other than as disclosed above, as at 31 December 2019, none of the Directors, chief executives and their associates had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEMES

The 2005 Share Option Scheme was adopted by the Company for a period of 10 years pursuant to a written resolution of all the then shareholders of the Company on 13 November 2005. Such scheme was terminated on 22 May 2012 and the 2012 Share Option Scheme with substantively similar terms to the 2005 Share Option Scheme was adopted on the same day at the 2012 annual general meeting of the Company for 10 years.

The purpose of the 2012 Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. All Directors and employees of the Group, and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, services providers of any member of the Group whom the Board considers, in its sole discretion, have contributed or will contribute to the Group are eligible to participate in the 2012 Share Option Scheme.

The 2012 Share Option Scheme will remain in force for a period of 10 years after the date on which the scheme was adopted. The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the 2012 Share Option Scheme adopted by the Group must not in aggregate exceed 10% ("General Scheme Limit") of the Shares of the Company in issue on 22 May 2012, the date when the Company adopted the 2012 Share Option Scheme, was 107,704,500 Shares. The Company may renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares of the Company in issue as at the date of the shareholders' approval.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2012 Share Option Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the Shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted under the 2012 Share Option Scheme and any other share option schemes of the Company (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("Individual Limit").

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

An option may be exercised in accordance with the terms of the 2012 Share Option Scheme at any time during the period to be determined and notified by the Board to each grantee, at the time of making an offer of the grant of an option which shall not expire later than 10 years from the date of grant of the option.

The subscription price for the Shares under the 2012 Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

As at the date of the annual report, the number of Share Options that could still be granted under the 2012 Share Option Scheme was 47,947,000, representing approximately 4.17% of the 1,150,653,000 Shares in issue as at 15 April 2020, being the date of the annual report.

Details are as follows:

Name and category of participants	Outstanding as at 1 January 2019	Granted during the Review Year	Exercised during the Review Year	Lapsed during the Review Year	Outstanding as at 31 December 2019	Date of grant (Note 5)	Exercise period (Note 6)	Exercise price of the Share Options (HKD) (Note 7)	Weighted average closing price of Shares immediately before the date(s) on which Share Options were exercised (HKD)
	Number of Share Options (Note 1)								
Directors, chief executives, and substantial Shareholders and their respective associates									
Mr. Zhao Feng (Note 2)	500,000	–	300,000	–	200,000	25–3–2015	1–1–2016 to 31–12–2020	14.08	27.45
	500,000	–	–	–	500,000	10–4–2018	1–4–2019 to 31–12–2023	37.60	N/A
Ms. Chin Chien Ya (Note 3)	100,000	–	–	–	100,000	10–4–2018	1–4–2019 to 31–12–2023	37.60	N/A
Ms. Huang Chiung Hui	1,000,000	–	–	–	1,000,000	25–3–2015	1–1–2016 to 31–12–2020	14.08	N/A
	500,000	–	–	–	500,000	10–4–2018	1–4–2019 to 31–12–2023	37.60	N/A
Mr. Wu Fred Fong	140,000	–	–	–	140,000	25–3–2015	1–1–2016 to 31–12–2020	14.08	N/A
	100,000	–	–	–	100,000	10–4–2018	1–4–2019 to 31–12–2023	37.60	N/A
Dr. Wang Ching	80,000	–	–	–	80,000	25–3–2015	1–1–2016 to 31–12–2020	14.08	N/A
	100,000	–	–	–	100,000	10–4–2018	1–4–2019 to 31–12–2023	37.60	N/A
Ms. Yu Zheng	200,000	–	–	–	200,000	25–3–2015	1–1–2016 to 31–12–2020	14.08	N/A
	100,000	–	–	–	100,000	10–4–2018	1–4–2019 to 31–12–2023	37.60	N/A
Mr. Bau Hsin Hong (Note 4)	350,000	–	350,000	–	–	16–1–2014	1–6–2014 to 31–5–2019	15.84	24.68
	180,000	–	–	–	180,000	25–3–2015	1–1–2016 to31–12–2020	14.08	N/A
	120,000	–	–	–	120,000	10–4–2018	1–4–2019 to 31–12–2023	37.60	N/A
Subtotal	3,970,000	–	650,000	–	3,320,000				
Other Participants	1,611,500	–	1,611,500	–	–	16–1–2014	1–6–2014 to 31–5–2019	15.84	25.08
	9,322,500	–	1,476,000	114,000	7,732,500	25–3–2015	1–1–2016 to 31–12–2020	14.08	27.24
	23,480,000	–	–	2,808,000	20,672,000	10–4–2018	1–4–2019 to 31–12–2023	37.60	N/A
Subtotal	34,414,000	–	3,087,500	2,922,000	28,404,500				
Total	38,384,000	–	3,737,500	2,922,000	31,724,500				

Note 1: Numbers of Shares over which options granted under the 2012 Share Option Scheme are exercisable.

Note 2: Mr. Zhao resigned as executive Director with effect from 25 October 2019.

Note 3: The daughter of Mr. Chin, and an executive Director of the Company.

Note 4: Spouse of Ms. Huang Chiung Hui, and the chairman of a subsidiary of the Company.

Note 5: The closing price of the Shares immediately before the date on which the Share Options were granted pursuant to the 2012 Share Option Scheme on (i) 16 January 2014, i.e. on 15 January 2014 was HKD16.00, (ii) 25 March 2015, i.e. on 24 March 2015 was HKD14.02, and (iii) 10 April 2018, i.e. on 9 April 2018 was HKD37.65.

Note 6: The option period for the Share Options granted on 16 January 2014 is for five years four months and fifteen days. If the grantees' period of service within the Company is or more than one year as of 1 June 2014, the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 1 June 2014; (ii) up to a further 30% of the Share Options granted on or after 1 June 2015; and (iii) all of the remaining Share Options granted on or after 1 June 2016. If the grantees' period of service within the Company is less than one year as of 1 June 2014, the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 1 June 2015; (ii) up to a further 30% of the Share Options granted on or after 1 June 2016; and (iii) all of the remaining Share Options granted on or after 1 June 2017. The option period for the Share Options granted on 25 March 2015 is for five years nine months and six days and the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 1 January 2016; (ii) up to a further 30% of the Share Options granted on or after 1 January 2017; and (iii) all of the remaining Share Options granted on or after 1 January 2018. The option period for the Share Options granted on 10 April 2018 is for five years eight months and twenty-one days and the vesting periods of such Share Options are as follows: (i) up to 30% of the Share Options granted on or after 1 April 2019; (ii) up to a further 30% of the Share Options granted on or after 1 April 2020; and (iii) all of the remaining Share Options granted on or after 1 April 2021.

Note 7: The exercise price of the Share Options is subject to adjustment in the case of rights or bonus issues, or other similar changes.

During the Review Year, pursuant to the requirements and terms of the 2012 Share Option Scheme, 300,000 Share Options were exercised by Mr. Zhao Feng subsequent to his resignation as an executive Director on 25 October 2019, 350,000 Share Options were exercised by Mr. Bau Hsin Hong, 3,087,500 Share Options were exercised by other grantees who are not Directors, and 2,922,000 Share Options lapsed due to the resignations of the grantees.

Apart from the 2012 Share Option Scheme as disclosed above, no option was granted, exercised, cancelled or lapsed during the Review Year. Particulars of the Company's 2012 Share Option Scheme are set out in note 42 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Other than the 2012 Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the Review Year or subsisted at the end of the Review Year.

DIRECTORS' RIGHTS IN PURCHASING SHARES OR DEBENTURE

Save as disclosed in the annual report, at no time during the Review Year was the Company, its holding company or its subsidiaries a party to any arrangements which enabled the Directors to acquire benefits by means of acquisition of Shares in or debenture of the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the annual report, no transactions, arrangements or contracts of significance to which the Company, its subsidiaries, the controlling shareholder of the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Review Year.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Review Year.

SUBSTANTIAL SHAREHOLDERS

Interests or short positions in the Company

As at 31 December 2019, the interests or short positions of substantial Shareholders, other than the Directors or the chief executives of the Company, in the Shares and underlying shares of the Company as recorded in the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO are as follows:

Name of Substantial Shareholder	Capacity	Long/Short Position	Total Number of Ordinary Shares	Percentage of the Company's Issued Share Capital (Note 1)
Wei Ching Lien ("Ms. Wei")	Interest of spouse	Long position	450,072,000 (Note 2)	39.14%
Minth Holdings Limited	Beneficial owner	Long position	450,072,000 (Note 3)	39.14%
Mitsubishi UFJ Financial Group, Inc.	Interest of controlled corporations	Long position	103,646,000 (Note 4)	9.01%
Matthews International Capital Management, LLC	Investment manager	Long position	80,763,000	7.02%

Note 1: The percentage of the Company's issued share capital of 1,149,990,000 Shares as at 31 December 2019.

Note 2: As at 31 December 2019, Minth Holdings was beneficially interested in 450,072,000 Shares. Minth Holdings was wholly-owned by Mr. Chin and he was therefore deemed to be interested in the entire 450,072,000 Shares held by Minth Holdings. Since Ms. Wei is the spouse of Mr. Chin, Ms. Wei was deemed to be interested in the 450,072,000 Shares in which Mr. Chin was deemed to be interested.

Note 3: As at 31 December 2019, Minth Holdings, a company wholly-owned by Mr. Chin, was beneficially interested in 450,072,000 Shares.

Note 4: As at 31 December 2019, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, these Shares were held by corporations controlled directly or indirectly as to 100% by Mitsubishi UFJ Financial Group, Inc.

Other than as disclosed above, as at 31 December 2019, the Company had not been acknowledged by any person of any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

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.

CONTINUING CONNECTED TRANSACTIONS

The Company entered into a framework agreement with Jiaxing Futing Mechanical Co., Ltd.* (嘉興富廷機械有限公司) ("Jiaxing Futing") on 28 December 2017 pursuant to which the Group would purchase finished or semi-finished moulds and related equipment and auxiliary materials (the "Framework Agreement") for the period from 28 December 2017 to 27 December 2020. The proposed annual caps for each of the three years ending 31 December 2018, 2019 and 2020 are RMB200,000,000 (equivalent to approximately HK$238,860,000), RMB200,000,000 (equivalent to approximately HK$238,860,000) and RMB200,000,000 (equivalent to approximately HK$238,860,000), respectively.

As Jiaxing Futing is a company indirectly wholly-owned by Mr. Chin, a substantial shareholder and an executive Director of the Company at the time, Jiaxing Futing is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions between the Group and Jiaxing Futing contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Further details of the Framework Agreement are set out in the Company's announcement dated 28 December 2017.

On 3 December 2018, Jiaxing Minhui Automotive Parts Co., Ltd.* (嘉興敏惠汽車零部件有限公司), a wholly owned subsidiary of the Company ("Jiaxing Minhui"), entered into a purchase agreement with Ningbo Chunmin Electronic Co., Ltd.* (寧波淳敏電子有限公司) ("Ningbo Chunmin Electronic") whereby the Group would purchase products including automobile camera accessories, automobile video recording devices and parts for the period from 3 December 2018 to 31 December 2019 (the "Purchase Agreement"). On 15 October 2019, a supplemental purchase agreement was entered into to extend the term of the Purchase Agreement for two years ending 31 December 2021 (the "Supplemental Purchase Agreement", and together with the Purchase Agreement hereinafter referred to as the "Purchase Agreements"). The proposed annual caps for the extension of two years ending 31 December 2021 in respect of the transactions under the Purchase Agreements for the year ending 31 December 2019, 2020, 2021 are RMB36,080,000 (equivalent to approximately HK$40,000,000), RMB54,121,000 (equivalent to approximately HK$60,000,000) and RMB72,161,000 (equivalent to approximately HK$80,000,000), respectively.

As Ningbo Chunmin Electronic is wholly-owned by Shun On Electronic Co., Limited* (淳安電子股份有限公司) ("Shun On Electronic") and Mr. Chin and his associates are together indirectly beneficially interested in 38.81% of Shun On Electronic, Ningbo Chunmin Electronic is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Purchase Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Further details of the Purchase Agreements are set out in the Company's announcement dated 15 October 2019.

The independent non-executive Directors have reviewed and confirmed that the above continuing connected transactions that were carried out during the year ended 31 December 2019 have been entered into by the Group:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the agreements governing the transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board further confirmed that in accordance with Rule 14A.71 of the Listing Rules, for the purposes for Rule 14A.56, the auditor of the Company has provided a letter to the Board confirming that nothing has come to their attention that causes them to believe that the above continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not entered into, in all material respects in accordance with the relevant agreements governing the transactions; and

(iii) have exceeded the cap.

Save for the above, during the Review Year, the Group did not enter into any continuing connected transactions which is subject to the reporting, annual review, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

REMUNERATION POLICY

Remuneration policy of the Group is set by the Remuneration Committee, making reference to legal framework, market condition and performance of the Group and individual staff. The remuneration policy and remuneration packages of the Directors and senior management staff of the Group are reviewed by the Remuneration Committee, making reference to the prevailing market practice, his/her duties and responsibilities within the Group and his/her contribution to the Group.

Mr. Chin, the former executive Director who resigned with effect from 25 October 2019, agreed to waive his remuneration since 1 March 2007.

The Company has adopted the 2012 Share Option Scheme as an incentive to Directors and eligible employees, details of the 2012 Share Option Scheme are set out on pages 35 to 37 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of the annual report, the Company has maintained sufficient public float as required under the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND COMPLIANCE WITH MODEL CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Code. 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 Code.

The Company has adopted the Model Code 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, 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.

EVENT AFTER THE REPORTING PERIOD

In the beginning of 2020, because of the outbreak of COVID-19 declared in mainland China and the subsequent quarantine measures and travelling restriction imposed by the PRC government, the Company's manufacturing facilities in China experienced a staggered restart to production following the Lunar New Year holiday.

In March 2020, the COVID-19 has continued to expand throughout Asia, Europe and North America, with many countries and jurisdictions declaring states of emergency and implementing public safety actions in an attempt to contain further spread. The Company has taken commensurate actions outlined by health agencies, as well as complying with country specific mandates. While working closely and diligently with customers, suppliers and other parties, the Company has been able to meet the production requirement and customer demand globally to date.

Given the rapid development worldwide and uncertain situation regarding COVID-19, its potential impacts on the economies of afflicted regions, and the inherent difficulty in predicting the potential impact on the Company's facilities, employees, customers, suppliers and logistics providers, the Board considers it unable to make reasonable estimation on the potential impact of the COVID-19 pandemic at present. Nevertheless, the COVID-19 outbreak is expected to affect the consolidated results of the Group for the first half and full year of 2020. Nonetheless, the Company will continue to monitor the development of the COVID-19 pandemic, its impact on the Company and adopt suitable measures accordingly.

Save as aforesaid, no significant events occurred after the reporting period which would have a material adverse impact on the final position of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

AUDITOR

A resolution will be proposed at the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

UPDATES ON BIOGRAPHICAL DETAILS OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the updates on biographical details of Directors during the Review Year are as follows:

Mr. Chin Jong Hwa

— resigned as Chairman and executive Director of the Company with effect from 25 October 2019

Mr. Zhao Feng

— resigned as executive Director of the Company with effect from 25 October 2019

Ms. Huang Chiung Hui

— appointed as Chairperson of the Company with effect from 25 October 2019

By Order of the Board

Minth Group Limited

Huang Chiung Hui

Chairperson

Hong Kong, 15 April 2020

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF MINTH GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Minth Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 45 to 164, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables *(Refer to Notes 27 and 46 to the consolidated financial statements)* We identified impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As at 31 December 2019, the Group's net trade receivables amounting to approximately Renminbi ("RMB") 3,331,973,000 (net of allowance for credit loss of RMB16,258,000), which represented approximately 14.1% of total assets of the Group. As disclosed in note 46 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. As disclosed in note 46 to the consolidated financial statements, the Group recognised a net additional amount of RMB301,000 of impairment of trade receivables for the year ended 31 December 2019 and the Group's lifetime ECL on trade receivables as at 31 December 2019 amounted to approximately RMB16,258,000.	Our procedures in relation to impairment assessment of trade receivables included: • Understanding key controls on how the management estimates the loss allowance for trade receivables; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 31 December 2019, including their identification of credit impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); • Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at 31 December 2019, on a sample basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices and other supporting documents; • Evaluating the disclosures regarding the impairment assessment of trade receivables in notes 27 and 46 to the consolidated financial statements; and • Testing subsequent settlements of credit impaired trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Kay Man Wo, Dick.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Revenue	5	**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	7	**126,389**	108,881
Other income	8	**200,467**	179,284
Other gains and losses	9	**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	10	**(336,187)**	(333,534)
Profit for the year	11	**1,765,091**	1,712,540
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		**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	14		
Basic		**RMB1.472**	RMB1.451
Diluted		**RMB1.466**	RMB1.440

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	15	**8,748,976**	7,933,121
Right-of-use assets	16	**988,425**	—
Prepaid lease payments	17	**—**	745,629
Goodwill	18	**98,030**	97,505
Other intangible assets	19	**56,554**	63,281
Interests in joint ventures	20	**90,194**	98,720
Interests in associates	21	**124,865**	215,062
Loan receivables	23	**—**	6,000
Deferred tax assets	24	**187,079**	149,208
Prepayment for acquisition of property, plant and equipment		**57,391**	163,611
Contract assets	28	**576,542**	582,333
Contract costs	29	**128,891**	64,981
Plan assets	43	**1,942**	1,788
		11,058,889	10,121,239
Current assets			
Prepaid lease payments	17	**—**	19,352
Inventories	25	**2,039,976**	1,974,480
Loan receivables	23	**6,000**	2,000
Property under development	26	**19,308**	15,347
Trade and other receivables	27	**4,315,920**	4,207,395
Contract assets	28	**234,230**	—
Derivative financial assets	30	**3,204**	4,878
Debt instruments at fair value through other comprehensive income	22	**256,647**	335,864
Pledged bank deposits	31	**21,267**	65,663
Bank balances and cash	31	**5,687,234**	4,521,870
		12,583,786	11,146,849
Current liabilities			
Trade and other payables	32	**3,436,692**	3,291,632
Tax liabilities		**120,410**	136,218
Borrowings	34	**4,138,998**	4,091,130
Lease liabilities	39	**5,311**	—
Contract liabilities	33	**111,783**	72,685
Derivative financial liabilities	30	**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

	NOTES	**2019 RMB'000**	2018 RMB'000
Capital and reserves			
Share capital	35	**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	36	**418,749**	268,292
Total equity		**14,743,694**	13,428,706
Non-current liabilities			
Deferred tax liabilities	24	**94,944**	67,405
Lease liabilities	39	**93,568**	—
Retirement benefit obligation	43	**16,537**	15,471
Derivative financial liabilities	30	**—**	759
Deferred income	15	**13,653**	—
Financial liability at fair value through profit or loss	44	**800,000**	—
Other long-term liabilities	44	**64,445**	162,912
		1,083,147	246,547
		15,826,841	13,675,253

The consolidated financial statements on pages 45 to 164 were approved and authorised for issue by the board of directors (the "Board") on 15 April 2020 and are signed on its behalf by:

Huang Chiung Hui	**Chin Chien Ya**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve fund RMB'000	Enterprise expansion fund RMB'000	FVTOCI reserve RMB'000	Exchange reserve RMB'000	Share options reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	114,425	3,789,355	276,199	44,269	525,501	34,880	(5,900)	(137,782)	59,520	7,464,799	12,165,266	294,157	12,459,423
Profit for the year	–	–	–	–	–	–	–	–	–	1,660,636	1,660,636	51,904	1,712,540
Fair value gain on debt instruments measured at fair value through other comprehensive income	–	–	–	–	–	–	(19)	–	–	–	(19)	–	(19)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	52,483	–	–	52,483	2,671	55,154
Remeasurement of defined benefit obligation	–	–	–	–	–	–	–	–	–	1,370	1,370	1,723	3,093
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(19)	52,483	–	1,662,006	1,714,470	56,298	1,770,768
Recognition of equity-settled share-based payments (note 42)	–	–	–	–	–	–	–	–	73,702	–	73,702	–	73,702
Transfer to reserve fund	–	–	–	–	116,562	50,632	–	–	–	(167,194)	–	–	–
Acquisition of additional interest of a subsidiary (note 37)	–	–	–	(66,168)	–	–	–	–	–	–	(66,168)	(24,308)	(90,476)
Deemed acquisition of non-controlling interests (note 36)	–	–	–	(1,031)	–	–	–	–	–	–	(1,031)	(10,294)	(11,325)
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(117,448)	(117,448)
Dividends recognised as distribution (note 13)	–	–	–	–	–	–	–	–	–	(794,813)	(794,813)	–	(794,813)
Acquisition of a subsidiary (note 37)	–	–	–	–	–	–	–	–	–	–	–	69,387	69,387
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	500	500
Exercise of share options	477	86,862	–	–	–	–	–	–	(18,351)	–	68,988	–	68,988
At 31 December 2018	114,902	3,876,217	276,199	(22,930)	642,063	85,512	(5,919)	(85,299)	114,871	8,164,798	13,160,414	268,292	13,428,706

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve fund RMB'000	Enterprise expansion fund RMB'000	FVTOCI reserve RMB'000	Exchange reserve RMB'000	Share options reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	114,902	3,876,217	276,199	(22,930)	642,063	85,512	(5,919)	(85,299)	114,871	8,164,798	13,160,414	268,292	13,428,706
Profit for the year	–	–	–	–	–	–	–	–	–	1,690,300	1,690,300	74,791	1,765,091
Fair value gain on debt instruments measured at fair value through other comprehensive expense	–	–	–	–	–	–	3,189	–	–	–	3,189	–	3,189
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	27,493	–	–	27,493	2,964	30,457
Remeasurement of defined benefit obligation	–	–	–	–	–	–	–	–	–	(871)	(871)	–	(871)
Total comprehensive income for the year	–	–	–	–	–	–	3,189	27,493	–	1,689,429	1,720,111	77,755	1,797,866
Recognition of equity-settled share-based payments (note 42)	–	–	–	–	–	–	–	–	63,081	–	63,081	–	63,081
Non-controlling interest arising on the acquisition of a subsidiary (note 37)	–	–	–	–	–	–	–	–	–	–	–	71,652	71,652
Transfer to reserve fund	–	–	–	–	115,143	30,129	–	–	–	(145,272)	–	–	–
Transfer to other reserve for share option forfeited after the vesting date	–	–	–	2,837	–	–	–	–	(2,837)	–	–	–	–
Dividends recognised as distribution (note 13)	–	–	–	–	–	–	–	–	–	(667,384)	(667,384)	–	(667,384)
Liquidation of a subsidiary	–	–	–	–	–	(5,306)	–	–	–	5,306	–	–	–
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	1,050	1,050
Exercise of share options	325	61,319	–	–	–	–	–	–	(12,921)	–	48,723	–	48,723
At 31 December 2019	115,227	3,937,536	276,199	(20,093)	757,206	110,335	(2,730)	(57,806)	162,194	9,046,877	14,324,945	418,749	14,743,694

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

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

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

The financial instruments measured at fair value through other comprehensive income ("FVTOCI") reserve represents the changes in fair value of bill receivables which was measured as debt instruments at FVTOCI upon adoption of HKFRS9 in the consolidation financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Operating activities		
Profit before tax	**2,101,278**	2,046,074
Adjustments for:		
Finance costs	**157,819**	137,507
Interest income	**(126,389)**	(108,881)
Share of (profits) losses of joint ventures	**(4,388)**	6,410
Share of losses (profits) of associates	**20,770**	(17,347)
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
Share-based payment expense	**63,081**	73,702
Fair value changes of other financial assets at fair value through profit or loss ("FVTPL")	**(58,978)**	(35,109)
Fair value changes of derivative financial instruments	**1,192**	22,618
(Gain) loss on disposal of property, plant and equipment	**(9,661)**	10,459
Gain on disposal of a subsidiary (note 38)	**—**	(5,814)
Gain on deemed disposal of an associate	**(836)**	—
Impairment loss, net of reversal		
— property, plant and equipment	**12,264**	3,560
— financial assets and other items under expected credit loss model	**1,305**	18,497
— investment in an associate	**—**	58,390
— inventories	**32,230**	25,633
Net foreign exchange losses	**23,297**	56,868
Operating cash flows before movements in working capital	**3,018,209**	2,955,919
Increase in inventories	**(81,072)**	(285,606)
Increase in trade and other receivables	**(86,309)**	(489,794)
Increase in property under development	**(3,961)**	(9,581)
Increase in trade and other payables	**71,643**	439,315
Increase in contract assets	**(228,439)**	(161,645)
Increase in contract costs	**(63,910)**	(64,981)
Increase in contract liabilities	**39,098**	24,299
Decrease in debt instruments at FVTOCI	**82,406**	3,349
Cash generated from operations	**2,747,665**	2,411,275
Income taxes paid	**(363,673)**	(370,547)
Net cash from operating activities	**2,383,992**	2,040,728

	2019 RMB'000	2018 RMB'000
Investing activities		
Proceeds from redemption of other financial assets and derivative financial instruments	**12,792,842**	19,860,883
Interest received	**96,432**	147,441
Dividend received from a joint venture	**10,000**	10,000
Proceeds from disposal of property, plant and equipment	**97,886**	156,315
Proceeds from disposal of other intangible assets	**3**	—
Investment in other financial assets and derivative financial instruments	**(12,732,608)**	(19,848,090)
Purchases of property, plant and equipment	**(1,535,793)**	(2,226,620)
Government subsidy received relating to the purchase of property, plant and equipment and other intangible assets	**87,691**	—
Placement of pledged bank deposits	**(69,072)**	(189,573)
Withdrawal of pledged bank deposits	**113,316**	145,291
Payments for right-for-use assets	**(138,910)**	—
Net cash inflow arising on acquisitions of a subsidiary (note 37)	**129,215**	49,100
Net cash inflow arising on disposal of a subsidiary (note 38)	**—**	46,670
Net cash inflow arising on disposal of a joint venture	**2,498**	—
Repayment from amount due from a previous subsidiary	**—**	11,450
Liquidation of a joint venture	**—**	2,691
Purchases of other intangible assets	**(21,286)**	(36,712)
Payment for investment in joint ventures	**—**	(11,704)
Loan to an associate	**—**	(2,000)
Loan to a joint venture	**(2,000)**	—
Repayment from an associate	**—**	20,837
Repayment from a joint venture	**4,000**	—
Net cash used in investing activities	**(1,165,786)**	(1,864,021)
Financing activities		
Repayment of borrowings	**(10,232,018)**	(5,512,255)
Repayments of lease liabilities	**(6,607)**	—
New borrowings raised	**10,246,170**	7,027,579
Dividends paid to owners of the Company	**(667,384)**	(794,813)
Dividends paid to non-controlling shareholders	**—**	(117,448)
Interest paid	**(149,634)**	(137,132)
Acquisition of additional interest in a subsidiary	**—**	(90,476)
Deemed acquisition of non-controlling interests	**—**	(11,325)
Proceeds from exercise of share options	**48,723**	68,988
Loan from the government (note 44)	**800,100**	60,000
Repayment of loan from the government	**(104,412)**	—
Capital contributions from non-controlling shareholders	**1,050**	500
Net cash (used in) from financing activities	**(64,012)**	493,618
Net increase in cash and cash equivalents	**1,154,194**	670,325
Cash and cash equivalents at the beginning of the year	**4,521,870**	3,849,601
Effect of foreign exchange rate changes	**11,170**	1,944
Cash and cash equivalents at the end of the year	**5,687,234**	4,521,870
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**5,687,234**	4,521,870

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. The principal activities of the Company's subsidiaries are set out in note 48.

In the opinion of the directors of the Company (the "Directors"), 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("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 Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

HKFRS 16	Leases
Hong Kong International Financial Reporting Interpretations Committee ("HK(IFRIC)")-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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.1 HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of land and buildings in the PRC was determined on a portfolio basis; and

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate ranging from 1.30% to 4.75%.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.1 HKFRS 16 *Leases* (Continued)

As a lessee (Continued)

	1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	33,285
Lease liabilities discounted at relevant incremental borrowing rates	32,299
Less: Recognition exemption – short-term leases	(13,625)
Lease liabilities relating to operating leases recognised upon Application of HKFRS 16 as at 1 January 2019	18,674
Analysed as	
Current	6,568
Non-current	12,106
	18,674

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	**Right of use assets** RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		18,674
Reclassified from prepaid lease payments	(a)	764,981
Adjustments on advanced lease payment at 1 January 2019		158
		783,813
By class:		
Leasehold lands		764,981
Land and buildings		18,335
Motor vehicles		354
Machinery		143
		783,813

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

2.1 HKFRS 16 *Leases* (Continued)

As a lessee (Continued)

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.

	Note	Carrying amounts previously reported at 31 December 2018 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	Carrying amounts under HKFRS 16 at 1 January 2019 RMB'000
Non-current Assets					
Prepaid lease payments	(a)	745,629	(745,629)	—	—
Right-of-use assets		—	765,139	18,674	783,813
Current Assets					
Prepaid lease payments	(a)	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

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB19,352,000 and RMB745,629,000 respectively were reclassified to right-of-use assets.

(b) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The Directors of the Company considered the impact of applying HKFRS 16 as a lessor is insignificant to the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statement of profit or loss and other comprehensive income and cash flows for the current year.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

The Group's policy for goodwill arising on the acquisition of associates and joint ventures is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group’s consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (including sales of products and development of moulds), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress and freehold land), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress and freehold land less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is carried at cost less any recognised impairment loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property under development

Properties under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties under development for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development for sale are transferred to properties for sale upon completion.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings, motor vehicles, furniture and equipment, and machinery that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Continued)

Right-of-use assets (Continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever: the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as Lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant leases.

The Group as Lessee

Operating leases payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and buildings

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

Goodwill and fair value adjustments to identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from ‘profit before tax’ because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income, in which case, the current and deferred tax are also recognised in other comprehensive income. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

- net interest expense or income; and

- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item “administrative expenses”.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions from employees to defined benefit plans

Discretionary contributions made by employees reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plan specify that there will be contributions from employees, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.

- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by HKAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

Research expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment losses on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (see the accounting policy in respect of goodwill above and financial assets below)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (see the accounting policy in respect of goodwill above and financial assets below) (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liabilities and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including trade and other receivables, loan receivables, bank balances and cash, pledge bank deposits, debt instruments at FVTOCI and other item (contract assets)) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors credit-impaired and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables and contract assets are each assessed as a separate group. All other instruments are assessed for expected credit losses on an individual basis);
- Historical default rate;
- Rank, size, industry and financial performance of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including borrowings, other long-term liability and trade and other payables are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity-settled share-based payment transactions of the Company

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to other reserve.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 27 and 46 respectively.

Useful lives, residual values and impairment of property, plant and equipment

The Directors determine the residual values, useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. In addition, the Directors assess impairment whenever events or changes in circumstances and technical innovation of automobile products indicate that the carrying amount of an asset may not be recoverable. As at 31 December 2019, the carrying amount of the Group's property, plant and equipment was RMB8,748,976,000 (net of accumulated impairment loss of RMB41,634,000) (2018: carrying amount of RMB7,933,121,000 (net of accumulated impairment loss of RMB31,126,000)).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Allowances for inventories

The Directors review the aging of the inventories at the end of the reporting period, and make allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or saleable in the market. The Directors estimate the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. As at 31 December 2019, the carrying amount of inventories was RMB2,039,976,000 (net of allowance for inventories of RMB92,021,000) (2018: carrying amount of inventories was RMB1,974,480,000 (net of allowance for inventories of RMB74,869,000)).

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. A valuation team has been set up, which is headed up by the Chief Financial Officer ("CFO") of the Group, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The CFO works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

As at 31 December 2019, the fair values of debt instruments at FVTOCI, derivative financial assets and derivative financial liabilities were estimated to be RMB256,647,000 (2018: RMB335,864,000), RMB3,204,000 (2018: RMB4,878,000) and RMB2,640,000 (2018: RMB1,929,000), respectively.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2019		
	Automobile body part RMB'000	Mould RMB'000	Total RMB'000
Types of goods or service			
Sales of goods	**11,895,949**	**1,302,240**	**13,198,189**
Geographical markets			
The PRC	**6,838,917**	**766,404**	**7,605,321**
Other countries	**5,057,032**	**535,836**	**5,592,868**
Total	**11,895,949**	**1,302,240**	**13,198,189**

5. REVENUE (CONTINUED)

(i) Disaggregation of revenue from contracts with customers (Continued)

	For the year ended 31 December 2018		
	Automobile body part RMB'000	Mould RMB'000	Total RMB'000
Types of goods or service			
Sales of goods	11,286,904	1,266,298	12,553,202
Geographical markets			
The PRC	6,962,186	677,981	7,640,167
Other countries	4,324,718	588,317	4,913,035
Total	11,286,904	1,266,298	12,553,202

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

(ii) Performance obligations for contracts with customers

Sales of automobile body parts

The Group sells automobile body parts directly to customers in accordance with the orders from and framework contracts entered with the customers. Revenue is recognised when control of the products has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the products have been accepted by the customer. The normal credit term is 60 to 90 days upon delivery. When the customer pay in advance for the orders, the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

Development of moulds

The Group develops moulds for customers in accordance with the requirements specified in the relevant contract entered with the customers. Revenue is recognised when the development of moulds is completed and accepted by the customer. Acceptance occurs when the mould have been verified and confirmed by the customer. For those the consideration for the development of moulds are paid separately, the normal credit term is 60 to 90 days upon acceptance. When the customer pay in advance for the orders, the transaction price received by the Group is recognised as a contract liability until the revenue in respect of moulds have been recognised.

Where a contract contains both development of moulds and sales of the relevant automobile body parts, the mould development is regarded as a separate performance obligation other than the delivery of automobile body parts. Revenue is recognised when the development of moulds is completed and accepted by the customer. Transaction price is allocated between sales of automobile body parts and the development of moulds on a stand-alone selling price basis. The transaction price allocated to the development of moulds is recognised as contract assets at the time of revenue recognised and until the right to consideration becoming unconditional (i.e. over the period of delivery of relevant automobile body parts).

5. REVENUE (CONTINUED)

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and the expected timing of recognising revenue are as follows:

	For the year ended 31 December 2019 Mould RMB'000
Within one year	**1,277,560**
More than one year but not more than two years	**836,438**
More than two years	**374,295**
	2,488,293

	For the year ended 31 December 2018 Mould RMB'000
Within one year	1,229,744
More than one year but not more than two years	908,233
More than two years	443,898
	2,581,875

6. 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 PRC RMB'000	North America RMB'000	Europe RMB'000	Asia Pacific RMB'000	Consolidated 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

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

The accounting policies of the reportable and geographic segments are the same as the Group's accounting policies described in note 3. 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.

Segment assets and liabilities

The following table, which is reviewed by the executive directors of the Company, provides an analysis of the Group's trade and bill receivables by geographical markets based on location of customers, irrespective of the origin of the goods:

Segment assets

	2019 RMB'000	**%**	2018 RMB'000	%
Trade and bill receivables				
The PRC	**2,725,420**	**11.5**	2,564,630	12.1
North America	**501,561**	**2.1**	369,347	1.7
Europe	**321,456**	**1.4**	455,542	2.1
Asia Pacific	**40,183**	**0.2**	63,880	0.3
Trade and bill receivables (including debt instruments at FVTOCI)	**3,588,620**	**15.2**	3,453,399	16.2
Unallocated assets	**20,054,055**	**84.8**	17,814,689	83.8
Total assets	**23,642,675**	**100.0**	21,268,088	100.0

The executive directors do not review segment liabilities as the production and the purchases of the Group are mainly located in the PRC. Therefore no further analysis of segment liabilities is presented.

Geographical information

The Group's operations are located in the PRC, the United States of America (the "USA"), Japan, Thailand, Germany and Mexico. Information about the Group's non-current assets is presented based on the geographical locations of the assets.

	2019 RMB'000	2018 RMB'000
The PRC	**8,777,343**	8,235,295
Other countries	**2,092,525**	1,728,948
	10,869,868	9,964,243

Note: non-current assets excluded financial instruments, deferred tax assets and plan assets.

6. SEGMENT INFORMATION (CONTINUED)

Information about major customer

No single customer contributed 10% or more to the Group's revenue for both 2019 and 2018.

7. INVESTMENT INCOME

	2019 RMB'000	2018 RMB'000
Interest on bank deposits	**125,964**	108,258
Interest on loan receivables	**425**	623
Total investment income	**126,389**	108,881

8. OTHER INCOME

	2019 RMB'000	2018 RMB'000
Government grants (note i)	**138,280**	115,717
Service and consultation income (note ii)	**6,397**	13,523
Sales of scrap and raw materials (note iii)	**20,816**	21,670
Rental income, net of outgoings	**9,195**	8,443
Indemnity income	**7,877**	3,881
Others	**17,902**	16,050
Total	**200,467**	179,284

Notes:

(i) The amounts represent the various subsidies granted by the PRC local government authorities to group entities as incentives for their good performance in quality control or environmental protection, or involvement in the hi-tech know-how industry and product development activities. The government grants were unconditional and had been approved by the PRC local government authorities.

(ii) The Group provides certain maintenance, repairing and technical consultation services to customers, which are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. As a practical expedient, the Group has not disclosed the information of unsatisfied performance obligation since the performance obligation has an original expected duration of one year or less.

(iii) Revenue for sales of scrap and raw materials is recognised when control of the materials has transferred to the buyer, being at the point the goods are delivered to the buyer. As a practical expedient, the Group has not disclosed the information of unsatisfied performance obligation since the performance obligation has an original expected duration of one year or less.

9. OTHER GAINS AND LOSSES

	2019 RMB'000	2018 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 (note 38)	**—**	5,814
Gain on deemed disposal of an associate (note 37)	**836**	—
Compensation from the legal proceeding (note 50)	**20,346**	—
Impairment loss for investment in an associate	**—**	(58,390)
Total	**69,441**	(87,162)

10. INCOME TAX EXPENSE

	2019 RMB'000	2018 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 (note 24)	**(9,862)**	(39,674)
	336,187	333,534

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

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

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

10. INCOME TAX EXPENSE (CONTINUED)

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

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

(1) Those entities which are located in specific provinces of western China and engaged in specific encouraged industries would enjoy a preferential tax rate of 15% under the EIT Law until 31 December 2020.

(2) Those entities which are qualified as Hi-New Tech Enterprises would enjoy a preferential tax rate of 15% under EIT Law during the current and prior year and subject to every 3-year renewal.

Under the relevant tax law and implementation regulations of the PRC, withholding income tax is applicable to interest and dividends payable to investors that are "non-tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to offshore group entities in respect of the undistributed profits attributable to the Group as earned by the Group's PRC subsidiaries from 1 January 2008 onwards shall be subject to the withholding tax at 10% or a lower treaty rate. Under the relevant tax treaty, the withholding tax rate on distributions to Hong Kong resident companies is 5%. Therefore, withholding tax has been provided for based on the anticipated dividends to be distributed by the PRC entities.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 RMB'000	**2019 %**	2018 RMB'000	2018 %
Profit before tax	**2,101,278**		2,046,074	
Tax at the applicable income tax rate of 25% (2018: 25%) (note)	**525,320**	**25.0**	511,519	25.0
Tax effect of share of losses (profits) of associates and joint ventures	**4,096**	**0.2**	(2,734)	(0.1)
Tax effect of expenses not deductible for tax purpose	**10,095**	**0.5**	12,636	0.6
Tax effect of income not taxable for tax purpose	**(5,828)**	**(0.3)**	(1,036)	(0.1)
Tax effect of tax losses not recognised as deferred tax assets	**43,117**	**2.1**	68,853	3.4
Tax effect of utilisation of tax losses previously not recognised as deferred tax assets	**(14,472)**	**(0.7)**	(4,190)	(0.2)
Effect of tax concessions granted to the PRC subsidiaries	**(188,253)**	**(9.0)**	(235,229)	(11.5)
Withholding tax provision on the profits of the PRC subsidiaries	**20,637**	**1.0**	20,660	1.0
Tax effect of different tax rates of subsidiaries	**(5,712)**	**(0.3)**	(6,520)	(0.3)
Deferred tax charged at different tax rates	**(136)**	**—**	246	—
Over provision in respect of prior years	**(52,677)**	**(2.5)**	(30,671)	(1.5)
Tax charge and effective tax rate for the year	**336,187**	**16.0**	333,534	16.3

Note: The domestic tax rate (which is the PRC Enterprise Income Tax Rate) in the jurisdiction where the operation of the Group is substantially based in used.

11. PROFIT FOR THE YEAR

	2019 RMB'000	2018 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Cost of inventories as recognised	**9,076,750**	8,530,179
Directors' remuneration (note 12)	**11,142**	11,530
Other staff's retirement benefits scheme contributions	**112,016**	128,610
Other staff's share-based payments	**59,157**	69,114
Other staff's salaries and allowances	**2,475,565**	2,181,236
Other staff's related welfares and benefits	**240,479**	240,575
Total staff costs	**2,898,359**	2,631,065
Less: Staff costs included in research expenditure	**(401,537)**	(349,546)
	2,496,822	2,281,519
Remuneration of the Company's auditor	**3,730**	3,730
Depreciation of property, plant and equipment	**750,881**	620,501
Depreciation of right-of-use assets	**26,365**	—
Less: Depreciation included in research expenditure	**(18,086)**	(20,887)
Capitalised in inventories	**(616,801)**	(494,505)
	142,359	105,109
Amortisation of other intangible assets	**27,979**	23,730
Release of prepaid lease payments	**–**	19,121
Operating lease of buildings	**–**	45,197
Rental income	**(17,954)**	(14,018)
Less: Outgoings	**8,759**	5,575
	(9,195)	(8,443)

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

The emoluments paid or payable to the Directors and the chief executive during the year were as follows:

		Other emoluments			
	Fees RMB'000	Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2019					
Executive directors:					
Mr. Chin (Resigned on 25 October 2019) (note 50)	–	–	–	–	–
Zhao Feng ("Mr. Zhao") (Resigned on 25 October 2019) (note 50)	–	1,301	1,402	10	2,713
Huang Chiung Hui	–	3,993	1,402	13	5,408
Chin Chien Ya	–	1,344	280	73	1,697
	–	6,638	3,084	96	9,818

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Fees RMB'000	Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Independent non-executive directors:					
Yu Zheng	182	–	280	–	462
Wang Ching	151	–	280	–	431
Wu Fred Fong	151	–	280	–	431
	484	–	840	–	1,324

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' and Chief Executive's emoluments (Continued)

The emoluments paid or payable to the Directors and the chief executive during the year were as follows:

		Other emoluments			
	Fees RMB'000	Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2018					
Executive directors:					
Mr. Chin	–	–	–	–	–
Mr. Zhao	–	2,172	1,638	10	3,820
Huang Chiung Hui	–	3,447	1,638	12	5,097
Chin Chien Ya	–	837	328	–	1,165
	–	6,456	3,604	22	10,082

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Independent non-executive directors:					
Yu Zheng	174	–	328	–	502
Wang Ching	145	–	328	–	473
Wu Fred Fong	145	–	328	–	473
	464	–	984	–	1,448

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

During the years ended 31 December 2019 and 2018, one director, Mr. Chin, waived emoluments of RMB600,000 for each of the year.

12. DIRECTORS' AND CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employees' emoluments

During the year ended 31 December 2019, no emoluments (2018: nil) had been paid by the Group to the Directors or the five highest-paid individuals referred to in (b) as an inducement to join or upon joining the Group or as a compensation for loss of office.

During the year, of the five highest-paid individuals, two (2018: two) were Directors whose emoluments are set out above. The emoluments of the remaining three (2018: three) highest-paid individuals are as follows:

	Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2019	**11,276**	**1,317**	**286**	**12,879**
2018	5,658	1,992	58	7,708

Their emoluments, including the Directors, are within the following bands:

	2019 **No. of employees**	2018 No. of employees
Hong Kong dollars ("HK$")		
HK$2,000,001 to HK$2,500,000	**—**	1
HK$2,500,001 to HK$3,000,000	**1**	—
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	1
HK$4,000,001 to HK$4,500,000	**—**	1
HK$5,500,001 to HK$6,000,000	**—**	1
HK$6,000,001 to HK$6,500,000	**1**	—
HK$7,500,001 to HK$8,000,000	**1**	—

13. DIVIDENDS

	2019 RMB'000	2018 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.

A final dividend of HK$0.656 per share totalling HK$754,784,000 (equivalent to RMB676,120,000) for the year ended 31 December 2019 has been proposed by the Directors and is subject to approval by the shareholders in the annual general meeting to be held on 28 May 2020.

14. 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 RMB'000	2018 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 '000	2018 '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

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Furniture and equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2018	120,108	2,404,433	431,840	106,796	28,937	4,121,701	1,124,289	8,338,104
Exchange adjustments	6,631	19,895	7,158	75	150	31,787	7,996	73,692
Additions	147	15,460	47,466	13,658	2,029	433,136	1,846,693	2,358,589
Disposals	(226)	(48,502)	(22,446)	(3,822)	(2,995)	(183,288)	(17,992)	(279,271)
Arising on acquisition of a subsidiary (note 37)	10,324	29,179	9,143	–	442	11,999	–	61,087
Transfers	–	332,531	49,851	1,692	1,677	1,075,352	(1,461,103)	–
At 31 December 2018	136,984	2,752,996	523,012	118,399	30,240	5,490,687	1,499,883	10,552,201
Exchange adjustments	8,424	15,567	6,763	73	146	20,152	6,824	57,949
Additions	18,662	35,222	24,200	363	2,191	236,723	1,345,968	1,663,329
Disposals	–	(4,230)	(6,994)	(13,992)	(1,445)	(170,143)	(12,346)	(209,150)
Arising on acquisition of a subsidiary (note 37)	–	15,094	32	1,783	231	29,229	39	46,408
Reduction of government subsidies related to assets (note i)	–	–	–	–	–	(72,979)	–	(72,979)
Transfers	–	277,991	44,151	11,707	2,108	1,044,218	(1,380,175)	–
At 31 December 2019	**164,070**	**3,092,640**	**591,164**	**118,333**	**33,471**	**6,577,887**	**1,460,193**	**12,037,758**
DEPRECIATION AND IMPAIRMENT								
At 1 January 2018	–	487,709	245,956	45,914	19,215	1,291,961	1,092	2,091,847
Exchange adjustments	–	4,129	4,220	16	124	7,138	42	15,669
Provided for the year	–	126,493	67,319	15,038	3,168	408,483	–	620,501
Impairment loss recognised in profit or loss (note ii)	–	–	–	–	–	3,560	–	3,560
Eliminated on disposals	–	(35,045)	(6,106)	(2,981)	(2,272)	(66,093)	–	(112,497)
At 31 December 2018	–	583,286	311,389	57,987	20,235	1,645,049	1,134	2,619,080
Exchange adjustments	–	3,170	3,831	30	143	20,293	15	27,482
Provided for the year	–	138,791	67,243	11,918	2,926	530,003	–	750,881
Impairment loss recognised in profit or loss (note ii)	–	–	2,144	7,122	–	2,998	–	12,264
Eliminated on disposals	–	(2,321)	(6,026)	(9,863)	(758)	(101,957)	–	(120,925)
At 31 December 2019	**–**	**722,926**	**378,581**	**67,194**	**22,546**	**2,096,386**	**1,149**	**3,288,782**
CARRYING AMOUNT								
At 31 December 2019	**164,070**	**2,369,714**	**212,583**	**51,139**	**10,925**	**4,481,501**	**1,459,044**	**8,748,976**
At 31 December 2018	136,984	2,169,710	211,623	60,412	10,005	3,845,638	1,498,749	7,933,121

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis, after taking into account their estimated residual value, at the following rates per annum:

Freehold land	N/A
Buildings	4.5%
Furniture and equipment	18%–30%
Leasehold improvements	20%
Motor vehicles	18%
Plant and machinery	9%–18%

The freehold land is located in the USA, Mexico, Japan, Thailand and Germany, respectively.

The Group has no pledged freehold land and buildings (2018: nil) to secure any general banking facilities granted to group entities.

Note i During the year ended 31 December 2019, the Group received a government subsidy of RMB72,979,000 towards the cost of construction of its buildings, plant and machinery, and a government subsidy of RMB1,059,000 towards the cost of other intangible assets (note 19), both of which have been treated as a deduction from the carrying amount of the relevant assets. For assets under construction, the relevant government subsidy of RMB13,653,000 received has been treated as deferred income to deduct the carrying amount of the relevant assets upon the completion of the construction.

Note ii During the year ended 31 December 2019, the Group recognised an impairment loss of RMB12,264,000 relating to furniture and equipment, leasehold improvements and plant and machinery (2018: plant and machinery with carrying amount of RMB3,560,000).

During the year ended 31 December 2019, the Group wrote off the impairment on plant and machinery with a carrying amount of RMB1,756,000 (2018: plant and machinery with carrying amount of RMB4,697,000).

16. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	**Land and buildings** RMB'000	**Motor vehicles** RMB'000	**Machinery** RMB'000	**Total** RMB'000
As at 1 January 2019					
Carrying amount	764,981	18,335	354	143	783,813
As at 31 December 2019					
Carrying amount	889,428	98,721	276	—	988,425
For the year ended 31 December 2019					
Depreciation charge	(20,566)	(5,205)	(451)	(143)	(26,365)

Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	13,625
Variable lease payments not included in the measurement of lease liabilities	1,791
Total cash outflow for leases	(145,517)
Additions to right-of-use assets (note)	145,339

Note: During the year ended 31 December 2019, the Group recognised RMB138,910,000 right-of-use assets in respect of newly obtained land use right located in PRC and recognised RMB6,429,000 right-of-use assets upon the completion of the acquisition of Guangzhou Tokai Minth Automotive Parts Co., Ltd. ("Guangzhou Tokai").

Included in the right-of-use assets are land use rights located in PRC with carrying amount of RMB60,378,000 for which the land use right certificates have not been obtained. The Group is in the process of obtaining the certifications.

16. RIGHT-OF-USE ASSETS (CONTINUED)

Lease committed

As at 31 December 2019, the Group has not entered into any new leases that are not yet commenced.

17. PREPAID LEASE PAYMENTS

	2018 RMB'000
Prepaid lease payments	764,981
Analysed for reporting purposes as:	
Current assets	19,352
Non-current assets	745,629
	764,981

Included in the prepaid lease payments as at 31 December 2018 were land use rights located in PRC with carrying amount of RMB29,612,000 for which the land use right certificates had not been obtained. The Group was in the process of obtaining the certifications.

18. GOODWILL

	2019 RMB'000	2018 RMB'000
Cost and carrying amount		
Balance at beginning of year	**97,505**	83,228
Arising from acquisition of Guangzhou Tokai (note 37)	**525**	—
Arising from acquisition of United Alloy-Tech Company Limited ("UATC") (note 37)	**—**	14,277
Balance at end of year	**98,030**	97,505

The goodwill held by the Group as at 31 December 2019 arose on (i) the acquisition of a subsidiary, Jiaxing Minrong Automotive Parts Co., Ltd. ("Jiaxing Minrong") in 2006; (ii) the acquisition of a subsidiary, Plastic Trim International, Inc. ("PTI") in 2014; (iii) the acquisition of a subsidiary, Jiaxing Dura Minth Automotive Parts Co., Ltd. ("Jiaxing Dura") in 2016; (iv) the acquisition of a subsidiary, UATC in 2018 and (v) the acquisition of a subsidiary, Guangzhou Tokai in 2019.

18. GOODWILL (CONTINUED)

Impairment test on goodwill

(i) Jiaxing Minrong

As at 31 December 2019, the carrying amount of goodwill allocated to the cash-generating unit of auto-parts manufacturing business of Jiaxing Minrong is RMB15,276,000(2018: RMB15,276,000). The recoverable amount of the cash-generating unit is determined based on a value in use calculations. The key assumptions for the value in use calculations relate to the pre-tax discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with appropriate discount rate. Growth rate beyond the five-year period is assumed to be zero.

The management believes that any reasonably possible change in any of these key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. As at 31 December 2019, the recoverable amount of the cash-generating unit is greater than the carrying amount.

(ii) PTI

As at 31 December 2019, the carrying amount of goodwill allocated to the cash-generating unit of moulding and extrusion manufacturing of PTI is RMB31,131,000 (2018: RMB31,131,000). The recoverable amount of the cash-generating unit is determined based on a value in use calculations. The key assumptions for the value in use calculations relate to the pre-tax discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with appropriate discount rate. Growth rate beyond the five-year period is assumed to be zero.

The management believes that any reasonably possible change in any of these key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. As at 31 December 2019, the recoverable amount of the cash-generating unit is greater than the carrying amount.

(iii) Jiaxing Dura

As at 31 December 2019, the carrying amount of goodwill allocated to the cash-generating unit of auto-parts manufacturing business of Jiaxing Dura is RMB36,821,000 (2018: RMB36,821,000). The recoverable amount of the cash-generating unit is determined based on a value in use calculations. The key assumptions for the value in use calculations relate to the pre-tax discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with appropriate discount rate. Growth rate beyond the five-year period is assumed to be zero.

The management believes that any reasonably possible change in any of these key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. As at 31 December 2019, the recoverable amount of the cash-generating unit is greater than the carrying amount.

18. GOODWILL (CONTINUED)

(iv) UATC

As at 31 December 2019, the carrying amount of goodwill allocated to the cash-generating unit of auto-parts manufacturing business of UATC is RMB14,277,000 (2018: RMB14,277,000). The recoverable amount of the cash-generating unit is determined based on a value in use calculations. The key assumptions for the value in use calculations relate to the pre-tax discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with appropriate discount rate. Growth rate beyond the five-year period is assumed to be zero.

The management believes that any reasonably possible change in any of these key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. As at 31 December 2019, the recoverable amount of the cash-generating unit is greater than the carrying amount.

(v) Guangzhou Tokai

As at 31 December 2019, the carrying amount of goodwill allocated to the cash-generating unit of auto-parts manufacturing business of Guangzhou Tokai is RMB525,000. The recoverable amount of the cash-generating unit is determined based on a value in use calculations. The key assumptions for the value in use calculations relate to the pre-tax discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with appropriate discount rate. Growth rate beyond the five-year period is assumed to be zero.

The management believes that any reasonably possible change in any of these key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. As at 31 December 2019, the recoverable amount of the cash-generating unit is greater than the carrying amount.

19. OTHER INTANGIBLE ASSETS

	Emission rights RMB'000	Patent RMB'000	Technical know-how and trademark RMB'000	Total RMB'000
COST				
At 1 January 2018	11,056	1,621	165,133	177,810
Additions	10	—	36,702	36,712
Acquisition of a subsidiary (note 37)	—	—	48	48
Exchange adjustments	—	—	634	634
At 31 December 2018	11,066	1,621	202,517	215,204
Additions	980	1,265	19,041	21,286
Acquisition of a subsidiary (note 37)	—	—	1,019	1,019
Disposals	—	—	(111)	(111)
Exchange adjustments	—	—	292	292
Reduction of government subsidies related to assets (note 15)	—	—	(1,059)	(1,059)
At 31 December 2019	**12,046**	**2,886**	**221,699**	**236,631**
AMORTISATION				
At 1 January 2018	1,744	1,621	124,467	127,832
Charge for the year	3,042	—	20,688	23,730
Exchange adjustments	—	—	361	361
At 31 December 2018	4,786	1,621	145,516	151,923
Charge for the year	3,732	160	24,087	27,979
Eliminated on disposals	—	—	(108)	(108)
Exchange adjustments	—	—	283	283
At 31 December 2019	**8,518**	**1,781**	**169,778**	**180,077**
CARRYING AMOUNT				
At 31 December 2019	**3,528**	**1,105**	**51,921**	**56,554**
At 31 December 2018	6,280	—	57,001	63,281

The other intangible assets included above have definite useful lives over which the assets are amortised. The amortisation periods range from two to ten years.

20. INTERESTS IN JOINT VENTURES

	2019 RMB'000	2018 RMB'000
Cost of unlisted investments in joint ventures	**88,955**	93,035
Exchange adjustments	**620**	620
Share of post-acquisition profits, net of dividends received	**619**	5,065
	90,194	98,720

As at 31 December 2019 and 2018, the Group had interests in the following joint ventures:

Name of entity	Country of incorporation and operation	Attributable equity interest of the Group 2019 %	Attributable equity interest of the Group 2018 %	Share capital	Principal activities
Wuhan Minth Nojima Automotive Parts Co., Ltd.* ("Wuhan Minth Nojima") 武漢敏島汽車零部件有限公司	the PRC	**50**	50	United States dollars ("US$") 4,700,000	Design, manufacture, develop and sales of automobile body parts
Jiaxing Clean Wave E-Drive System Co., Ltd.* 克林威孚電驅動系統(嘉興)有限公司	the PRC	**51**	51	US$29,412,000	Research and development, production, sale and after sale services of electric drive systems
Haartz-Minth (Ningbo) Automotive Ltd.* ("Haartz-Minth") 哈茲敏實(寧波)汽車新材料有限公司	the PRC	**40 (note i)**	40 (note i)	US$18,000,000	Manufacture and sale of soft automotive interior trim materials and provide relevant technical services
Jiaxing Cenyield Mechanical Equipment Co., Ltd.* ("Jiaxing Cenyield") 嘉興正億祥機械設備有限公司	the PRC	**N/A (note ii)**	51	RMB20,000,000	Manufacture and sale of mechanical equipment and accessories and provide relevant technical services

* The English names are for identification purposes only.

Note i Pursuant to the shareholder agreement, unanimous consent from both shareholders is required to direct the relevant activities of Haartz-Minth. As such, it is classified as a joint venture.

Note ii During the year ended 31 December 2019, the Group entered into a subscription agreement with an independent third party, pursuant to which the Group has sold its 51% equity interest in Jiaxing Cenyield for the consideration of RMB2,498,000, which was equal to carry amount of the Group's interest in Jiaxing Cenyield at the disposal date.

20. INTERESTS IN JOINT VENTURES (CONTINUED)

The summarised financial information in respect of the Group's material joint venture which is accounted for using the equity method is set out below, representing amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs:

(a) Wuhan Minth Nojima

	2019 RMB'000	2018 RMB'000
Current assets	**86,114**	99,712
Non-current assets	**12,120**	13,906
Current liabilities	**33,869**	37,768
Non-current liabilities	**5**	5
The above amounts of assets and liabilities include the following: Cash and cash equivalents	**38,235**	53,443

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Revenue	**155,810**	180,970
Profit for the year	**8,515**	10,091
Dividend declared from the joint venture to the Group	**10,000**	10,000
The above profit for the year include the following: Depreciation and amortisation	**2,470**	2,461
Interest income	**922**	1,528
Income tax expense	**2,439**	2,944

Reconciliation of the above summarised financial information to the carrying amount of the interest in Wuhan Minth Nojima recognised in the consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Net assets of Wuhan Minth Nojima	**64,360**	75,845
Proportion of the Group's ownership interest in Wuhan Minth Nojima	**50%**	50%
Carrying amount of the Group's interest in Wuhan Minth Nojima	**32,180**	37,923

20. INTERESTS IN JOINT VENTURES (CONTINUED)

(b) Haartz-Minth

	2019 RMB'000	2018 RMB'000
Current assets	**49,096**	23,067
Non-current assets	**64,686**	69,555
Current liabilities	**22,971**	11,535
The above amounts of assets and liabilities include the following: Cash and cash equivalents	**14,000**	11,272

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Revenue	**75,503**	5,961
Profit (loss) for the year	**9,724**	(15,576)
The above profit (loss) for the year include the following: Depreciation and amortisation	**6,430**	4,805
Interest income	**81**	67
Income tax expense	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Haartz-Minth recognised in the consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Net assets of Haartz-Minth	**90,811**	81,087
Proportion of the Group's ownership interest in Haartz-Minth	**40%**	40%
Carrying amount of the Group's interest in Haartz-Minth	**36,324**	32,435

20. INTERESTS IN JOINT VENTURES (CONTINUED)

Aggregate information of joint ventures that are not material

	2019 **RMB'000**	2018 RMB'000
The Group's share of loss	**(3,759)**	(5,226)
Aggregate carrying amount of the Group's interests in these joint ventures	**21,690**	28,362

21. INTERESTS IN ASSOCIATES

	2019 **RMB'000**	2018 RMB'000
Cost of unlisted investments in associates (note i)	**207,026**	234,991
Exchange adjustments	**(289)**	(289)
Share of post-acquisition (losses) profits, net of dividends received (note i)	**(23,482)**	38,750
Impairment (note ii)	**(58,390)**	(58,390)
	124,865	215,062

Note i: As disclosed in note 37, Guangzhou Tokai became a subsidiary of the Group during the year ended 31 December 2019 upon the completion of the acquisition of its additional interest. The carrying amount of the Group's interest in Guangzhou Tokai with cost of investment of RMB27,965,000 together with accumulated share of profit of RMB41,463,000 has been deemed disposed.

Note ii: During the year ended 31 December 2018, impairment loss of RMB58,390,000 was recognised in respect of the interest in an associate, Clean Wave Technologies Limited ("Clean Wave"), because of the deteriorated decline of the technological and market environment in which the entity operates, and the Group estimated that the carrying amount of interests in associates cannot be recovered.

21. INTERESTS IN ASSOCIATES (CONTINUED)

As at 31 December 2019 and 2018, the Group had interests in the following associates:

Name of entity	Country of incorporation and operation	Attributable equity interest of the Group		Share capital		Principal activities
		2019 %	2018 %	**2019**	2018	
Guangzhou Tokai 廣州東海	the PRC	**N/A**	49.03	**US$8,000,000**	US$8,000,000	Manufacture of automotive parts
Jiaxing TAB-MINTH Mobility Equipment Co., Ltd.* 嘉興豐實福祉汽車部件有限公司	the PRC	**35.00**	35.00	**US$1,000,000**	US$1,000,000	Wholesale, sales agency and import and export of automobile parts, and relevant technical consultancy, assembly and maintenance services
Wuhan Sankei Minth Automotive Parts Co., Ltd. ("Wuhan Sankei Minth")* 武漢三惠敏實汽車零部件有限公司	the PRC	**30.00**	30.00	**US$7,500,000**	US$7,500,000	Manufacture and sales of exhaust systems for automobiles
Clean Wave	the USA	**13.20 (note i)**	13.20 (note i)	**Ordinary share: US$11,439 Preferences share: US$27,126,263**	Ordinary share: US$11,439 Preferences share: US$27,126,263	Producing the next generation of electric motors, power electronic controls for electric& hybrid electric vehicles
Yuyao Yongxing Automotive Parts Co., Ltd.* 余姚市敏永汽車零部件有限公司	the PRC	**30.00**	30.00	**RMB10,000,000**	RMB10,000,000	Design and manufacture of automotive parts and mould
Seat Metal Parts China Co., Ltd. (Seat Metal Parts)* 浙江車精汽車部件有限公司	the PRC	**10.00 (note ii)**	10.00 (note ii)	**RMB45,000,000**	RMB45,000,000	Design, manufacture and sales of automotive parts and mould
Jiangsu Min'an Electric Cars Co., Ltd. ("Jiangsu Min'an")* 江蘇敏安電動汽車有限公司	the PRC	**15.84 (note iii)**	25.4	**US$130,000,000**	US$130,000,000	Design, development and wholesale of automobile body parts for electric vehicle

* The English names are for identification purposes only.

Note i The board of directors of Clean Wave consists of 4 directors, of which one is appointed by Enboma Investments Limited ("Enboma"), a wholly-owned subsidiary of the Company. The Company is of the opinion that Enboma has the right to appoint one director and therefore has significant influence over Clean Wave. As a result, it is treated as an associate of the Group.

Note ii The board of directors of Seat Metal Parts consists of 3 directors, of which one is appointed by Minth Investment Limited ("Minth Investment"), a wholly-owned subsidiary of the Group. The Company is of the opinion that Minth Investment has the right to appoint one director and therefore has significant influence over Seat Metal Parts. As a result, it is treated as an associate of the Group.

Note iii The board of directors of Jiangsu Min'an consists of 3 directors, of which one is appointed by Cheerplan (China) Investments Co., Ltd.* (展圖(中國)投資有限公司) ("Cheerplan China"), a wholly-owned subsidiary of the Group. The Company is of the opinion that the Group has the right to appoint one director and therefore has significant influence over Jiangsu Min'an. As a result, it is still treated as an associate of the Group.

During the year ended 31 December 2019, Best Treasure Investment Company Limited* (實益投資有限公司) ("Best Treasure Investment"), a company indirectly wholly-owned by Mr. Chin, entered into a capital subscription agreement with Huai'an Development Holdings Co., Ltd.* (淮安開發控股有限公司) ("Huai'an Development"), an independent third party, pursuant to which Best Treasure Investment had agreed to purchase and Huai'an Development had agreed to sell 50% registered capital of Jiangsu Min'an, which has not been paid by Huai'an Development.

Pursuant to the supplementary agreement signed on 31 December 2019, all shareholders of Jiangsu Min'an agreed to share the paid-in capital based on the actual payment by the respective shareholders, while other equity interest other than the paid-in capital are shared based on the percentage of subscribed registered capital, in which 12.7% of other equity interest are shared by the Group.

21. INTERESTS IN ASSOCIATES (CONTINUED)

The summarised financial information in respect of each of the Group's material associates is set out below, representing amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

(a) Guangzhou Tokai

	2019 RMB'000	2018 RMB'000
Current assets	N/A	240,038
Non-current assets	N/A	52,541
Current liabilities	N/A	150,982

	For the period from 1 January 2019 to disposal date RMB'000	For the year ended 31 December 2018 RMB'000
Revenue (note)	–	249,277
Profit for the year (note)	–	46,471

Note: As disclosed in note 37, the acquisition of Guangzhou Tokai has been completed on 2 January 2019.

Reconciliation of the above summarised financial information to the carrying amount of the interest in Guangzhou Tokai recognised in the consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Net assets of Guangzhou Tokai	N/A	141,597
Proportion of the Group's ownership interest in Guangzhou Tokai	N/A	49.03%
Carrying amount of the Group's interest in Guangzhou Tokai	N/A	69,425

21. INTERESTS IN ASSOCIATES (CONTINUED)

(b) Jiangsu Min'an

	2019 RMB'000	2018 RMB'000
Current assets	**94,922**	226,589
Non-current assets	**1,404,795**	1,277,130
Current liabilities	**632,759**	1,082,438
Non-current liabilities	**358,017**	—

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Revenue	**2,133**	32,330
Loss for the year	**(101,154)**	(29,400)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Jiangsu Min'an recognised in the consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Net assets of Jiangsu Min'an	**508,941**	421,281
Proportion of the Group's ownership interest in the Jiangsu Min'an	**15.84%**	25.4%
Other adjustment	**—**	(688)
Carrying amount of the Group's interest in the Jiangsu Min'an	**80,624**	106,317

21. INTERESTS IN ASSOCIATES (CONTINUED)

(c) Wuhan Sankei Minth

	2019 RMB'000	2018 RMB'000
Current assets	**111,886**	108,959
Non-current assets	**26,648**	31,355
Current liabilities	**31,214**	39,219

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Revenue	**220,972**	202,336
Profit for the year	**6,228**	12,384

Reconciliation of the above summarised financial information to the carrying amount of the interest in Wuhan Sankei Minth recognised in the consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Net assets of Wuhan Sankei Minth	**107,320**	101,095
Proportion of the Group's ownership interest in Wuhan Sankei Minth	**30.00%**	30.00%
Carrying amount of the Group's interest in Wuhan Sankei Minth	**32,196**	30,328

21. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material

	2019 **RMB'000**	2018 RMB'000
The Group's share of profit	**3,056**	1,692
Aggregate carrying amount of the Group's interests in these associates	**12,045**	8,992

22. DEBT INSTRUMENTS AT FVTOCI

	2019 **RMB'000**	2018 RMB'000
Bill receivables	**256,647**	335,864

Bill receivables held by the Group as at 31 December 2019 will mature within 9 months (2018: within 6 months).

Details of impairment assessment are set out in note 46.

23. LOAN RECEIVABLES

As of 31 December 2019, the loan receivable is due from an associate of the Group, carrying an interest rate of 6.175% per annum with maturity date on 13 December 2020.

As of 31 December 2018, the loan receivables are due from an associate and a joint venture of the Group respectively, with maturity dates from 9 February 2019 to 13 December 2020 and carry fixed rates ranging from 4.350% to 6.175% per annum.

	2019 **RMB'000**	2018 RMB'000
Analysed for reporting purposes as:		
Current assets	**6,000**	2,000
Non-current assets	**—**	6,000
	6,000	8,000

24. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current year:

Deferred tax assets:

	Allowance for financial assets RMB'000	Allowance for inventories RMB'000	Impairment for property, plant and equipment RMB'000	Unrealised profit for intra-group transactions RMB'000	Temporary differences of expense RMB'000	Tax loss carry forwards RMB'000	Retirement benefit obligation RMB'000	Total RMB'000
At 1 January 2018	3,960	6,771	10,375	37,094	15,276	12,563	5,833	91,872
(Charge) credit to profit or loss	(963)	(582)	40	16,680	6,622	35,115	–	56,912
Arising on acquisition of a subsidiary (note 37)	–	–	–	–	426	–	–	426
Charge to other comprehensive income for the year	–	–	–	–	–	–	(2)	(2)
At 31 December 2018	**2,997**	**6,189**	**10,415**	**53,774**	**22,324**	**47,678**	**5,831**	**149,208**
(Charge) credit to profit or loss	**(307)**	**6,854**	**(4,329)**	**(823)**	**37,861**	**(1,808)**	**–**	**37,448**
Arising on acquisition of a subsidiary (note 37)	**–**	**–**	**–**	**–**	**202**	**–**	**–**	**202**
Credit to other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**221**	**221**
At 31 December 2019	**2,690**	**13,043**	**6,086**	**52,951**	**60,387**	**45,870**	**6,052**	**187,079**

Deferred tax liabilities:

	Temporary differences of income RMB'000	Fair value adjustments on acquisition of subsidiaries RMB'000	Withholding tax on undistributed dividends RMB'000	Total RMB'000
At 1 January 2018	(18,498)	(2,495)	(29,018)	(50,011)
Credit (charge) to profit or loss	759	2,500	(20,497)	(17,238)
Arising on acquisition of a subsidiary (note 37)	(78)	—	—	(78)
Exchange adjustments	—	(78)	—	(78)
At 31 December 2018	**(17,817)**	**(73)**	**(49,515)**	**(67,405)**
Charge to profit or loss	**(16,237)**	**(985)**	**(10,364)**	**(27,586)**
Exchange adjustments	**—**	**47**	**—**	**47**
At 31 December 2019	**(34,054)**	**(1,011)**	**(59,879)**	**(94,944)**

24. DEFERRED TAXATION (CONTINUED)

During the year ended 31 December 2018, the relevant PRC authorities released a notice to extend the period for utilising tax losses arising from those entities qualified as High Technology Enterprise in the PRC from a period of 5 years to 10 years.

At the end of the reporting period, the Group has unused tax losses of RMB1,012,083,000 (2018: RMB938,407,000) available for offset against future profits. A deferred tax asset has been recognised in respect of RMB45,870,000(2018: RMB47,678,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RMB884,378,000 (2018: RMB769,799,000) due to the unpredictability of future profit streams.

	2019 RMB'000	2018 RMB'000
Tax loss expire in 2019	**–**	41,715
Tax loss expire in 2020	**37,147**	71,347
Tax loss expire in 2021	**71,554**	122,485
Tax loss expire in 2022	**136,414**	211,188
Tax loss expire in 2023	**281,117**	290,901
Tax loss expire in and after 2024	**358,146**	32,163
	884,378	769,799

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not yet been provided for in the consolidated financial statements in respect of certain temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB15,342 million (2018: RMB12,451 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, there are no other unrecognised deductible temporary differences.

25. INVENTORIES

	2019 RMB'000	2018 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

During the year, allowance for inventories amounting to RMB32,230,000 has been recognised in cost of sales (2018: RMB25,633,000).

26. PROPERTY UNDER DEVELOPMENT

Property under development mainly represents land and buildings under construction located in Jiaxing City, Zhejiang Province, the PRC. The land are held under medium-term lease and are for construction of residential properties.

During the current year, property under development amounting to RMB539,000 (2018: RMB4,936,000) was completed and sold.

27. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 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 and his family have control.

Advanced lease payment were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB2,896,830,000.

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 RMB'000	2018 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

27. TRADE AND OTHER RECEIVABLES (CONTINUED)

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. Details are disclosed in note 22. All bills received by the Group are with a maturity period of less than 9 months.

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB108,042,000 (2018: RMB285,010,000) which are past due as at the reporting date. Out of the past due balances, RMB50,936,000 (2018: RMB98,230,000) has been past due 90 days or more and is not considered as in default. The Directors have considered the recoverable amount and credit quality of the relevant customers and concluded that the expected credit loss is not significant to the Group. The Group does not hold any collateral over these balances.

Details of the provision of expected credit losses of trade and other receivables for the years ended 31 December 2019 and 2018 are set out in note 46.

The Group's trade and other receivables which are not denominated in the functional currencies of the respective group entities are as follows:

Original currencies	**US$** RMB'000	**Japanese Yen (“JPY”)** RMB'000	**Euro (“EUR”)** RMB'000	**HK$** RMB'000	**Mexico Peso (“MXN”)** RMB'000
At 31 December 2019	**138,366**	**69**	**166,198**	**1,126**	**27,247**
At 31 December 2018	147,342	147	208,600	14,884	18,764

28. CONTRACT ASSETS

	2019 **RMB'000**	2018 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

As at 1 January 2018, contract assets amounted to RMB420,688,000.

The contract assets are in relation to the Group's right to consideration for moulds development work 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.

29. CONTRACT COSTS

	2019 RMB'000	2018 RMB'000
Incremental costs to obtain contracts	**128,891**	64,981

Note: Contract costs capitalised as at 31 December 2019 relate to the incremental costs paid to strategic customers, in order to secure new sale and purchase agreements for the Group's products. Contract costs are recognised in the consolidated statement of profit or loss in the period in which revenue from the related product sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB11,082,000 (2018: RMB363,000). There was no impairment in relation to the costs capitalised during the year ended 31 December 2019 (2018: Nil).

The Group applies the practical expedient and recognises the incremental costs of obtaining contracts relating to the sale of products as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

30. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	2019 RMB'000	2018 RMB'000
Derivative financial assets		
Foreign exchange forward contracts (a)	**3,104**	3,610
Structural option contracts (b)	**100**	47
Interest rate swap contracts (c)	**–**	1,171
Call option (d)	**–**	50
	3,204	4,878
Derivative financial liabilities		
Foreign exchange forward contracts (a)	**2,640**	1,170
Interest rate swap contracts (c)	**–**	759
	2,640	1,929
Analysed for reporting purpose as:		
Current assets	**3,204**	4,878
Current liabilities	**2,640**	1,170
Non-current liabilities	**–**	759
	2,640	1,929

30. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

(a) Foreign exchange forward contracts

At the end of the reporting period, the Group had the following outstanding foreign exchange forward contracts to mitigate its foreign currency exposure.

Major terms of these contracts are as follows:

31 December 2019

Notional amount	Maturity dates	Exchange rates
Sell US$29,000,000 Buy RMB205,525,840	13 January 2020 to 30 June 2020	US$1:RMB7.0150 to US$1:RMB7.1464
Sell RMB128,169,220 Buy US$18,000,000	28 February 2020	RMB1:US$0.1396 to RMB1:US$0.1414
Sell EUR6,000,000 Buy US$6,725,428	31 January 2020 to 31 March 2020	EUR1:US$1.1182 to EUR1:US$1.1233
Sell EUR5,000,000 Buy RMB39,385,437	17 January 2020 to 31 March 2020	EUR1:RMB7.8558 to EUR1:RMB7.9078

31 December 2018

Notional amount	Maturity dates	Exchange rates
Sell US$39,000,000 Buy RMB269,434,970	25 January 2019 to 30 April 2019	US$1:RMB6.8523 to US$1:RMB6.9959
Sell RMB48,093,240 Buy US$7,000,000	31 January 2019 to 30 April 2019	RMB1:US$0.1453 to RMB1:US$0.1457
Sell EUR2,000,000 Buy US$2,492,835	16 January 2019 to 22 January 2019	EUR1:US$1.2370 to EUR1:US$1.2559
Sell US$1,236,978 Buy EUR1,000,000	22 January 2019	US$1:EUR0.7963
Sell EUR125,000,000 Buy RMB99,480,193	31 January 2019 to 30 April 2019	EUR1:RMB7.8447 to EUR1:RMB8.0590
Sell US$1,289,300 Buy GBP1,000,000	24 January 2019 to 14 February 2019	US$1:GBP0.7635 to US$1:GBP0.7881
Sell US$600,000 Buy JPY67,748,212	18 January 2019	US$1:JPY112.6718 to US$1:JPY113.0976
Sell GBP1,500,000 Buy US$1,952,175	24 January 2019 to 14 February 2019	GBP1:US$1.2975 to GBP1:US$1.3054

30. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

(b) Structural option contracts

31 December 2019

As of 31 December 2019, the Group had the following outstanding structural option contracts:

A structural option contract begins on 1 July 2019 with settlement date at 3 January 2020 regarding US$ against CNY:

At each valuation date:

(i) if the US$ to CNY reference rate (the "Reference Rate 1"), as defined in the agreement, is below 6.9800 (the "Strike Rate 1"), a fix amount of CNY100,000 will be received as option premium on settlement date; and

(ii) if the Reference Rate 1 is greater than the Strike Rate 1, a gross settlement is calculated based on the Strike Rate 1 times a notional amount of US$2,000,000, settled in CNY equivalent.

31 December 2018

As of 31 December 2018, the Group had the following outstanding structural option contracts:

A structural option contract begins on 21 November 2018 with settlement date at 25 February 2019 regarding US$ against CNY:

At each valuation date:

(i) if the US$ to CNY reference rate (the "Reference Rate 1"), as defined in the agreement, is below 6.8300 (the "Fade Rate 1"), there would have no settlements;

(ii) if the Reference Rate 1 is equal to or between the Fade Rate 1 and 7.0320 (the "Strike Rate 1"), net settlement is calculated based on the difference between the Reference Rate 1 and the Strike Rate 1 times a notional amount of US$1,000,000, settled in CNY equivalent; and

(iii) if the Reference Rate 1 is greater than the Strike Rate 1, net settlement is calculated based on the difference between the Reference Rate 1 and the Strike Rate 1 times a notional amount of US$1,000,000 settled in CNY equivalent.

30. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

(c) Interest rate swap contracts

31 December 2018

Major terms of the contracts outstanding at 31 December 2018 are as follows:

Notional amount	Maturity dates	Swaps
US$10,000,000	1 April 2017 to 29 March 2019	Interest from US$-LIBOR to fixed rate 0.99% on a quarterly basis
US$10,000,000	16 June 2017 to 14 June 2019	Interest from US$-LIBOR to fixed rate 0.93% on a quarterly basis
US$20,000,000	23 March 2018 to 23 March 2021	Interest from US$-LIBOR to fixed rate 2.67% on a quarterly basis
US$10,000,000	30 November 2018 to 4 December 2021	Interest from US$-LIBOR to fixed rate 2.99% on a quarterly basis

(d) Call option

The Group was entitled to a call option to purchase certain equity interest in Jiangsu Min'an. The call option has lapsed during the year ended 31 December 2019. Changes in fair value has been charged into the profit or loss of the Group.

All the above derivative instruments are carried at fair value. The fair value measure of the derivative instruments is disclosed in note 46(c).

31. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

Bank balances carry interest at market rates which range from zero to 5.00% (2018: zero to 5.70%) per annum. The pledged bank deposits carry interest at fixed interest rates which range from 1.35% to 2.75% (2018: 1.50% to 3.00%) per annum.

As at 31 December 2019 and 2018, pledged bank deposits represent deposits pledged to banks to secure short-term banking facilities granted to the Group for purchases of materials for manufacturing and are therefore classified as current assets.

The Group's pledged bank deposits and certain bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

Original currencies	US$ RMB'000	EUR RMB'000	HK$ RMB'000	JPY RMB'000	MXN RMB'000
At 31 December 2019	**165,948**	**50,372**	**8,055**	**32,491**	**3,850**
At 31 December 2018	753,406	106,566	17,719	20,696	27,200

32. TRADE AND OTHER PAYABLES

	2019 **RMB'000**	2018 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).

32. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2019 RMB'000	2018 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).

The Group's trade and other payables which are not denominated in the functional currencies of the respective group entities are as follows:

Original currencies	**US$** RMB'000	**JPY** RMB'000	**EUR** RMB'000	**HK$** RMB'000	**MXN** RMB'000
At 31 December 2019	**36,580**	**52,894**	**22,399**	**6,551**	**83,221**
At 31 December 2018	23,375	36,931	25,711	3,462	77,834

33. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Sales of automobile body parts	**22,097**	6,195
Sales of moulds	**89,686**	66,490
	111,783	72,685

As at 1 January 2018, contract liabilities amounted to RMB48,386,000.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

33. CONTRACT LIABILITIES (CONTINUED)

	2019 RMB'000	2018 RMB'000
Sales of automobile body parts and moulds		
Revenue recognised that was included in the contract liability balance at the beginning of the year	**54,436**	48,386

34. BORROWINGS

	2019 RMB'000	2018 RMB'000
Secured (note)	**50,000**	150,000
Unsecured	**4,088,998**	3,941,130
	4,138,998	4,091,130
Fixed-rate borrowings	**550,000**	860,000
Variable-rate borrowings	**3,588,998**	3,231,130
	4,138,998	4,091,130
Carrying amount repayable:		
Within one year	**4,138,998**	4,091,130

Note: As at 31 December 2019 and 2018, the balance was secured by pledged bank deposits of the Group.

The Group has variable-rate borrowings which carry interest at the LIBOR and Hong Kong Inter-Bank Offered Rate. Interest is repriced every one month, three months or one year.

The ranges of the effective interest rates on the Group's borrowings are as follows:

	2019	2018
Effective interest rate:		
Fixed-rate borrowings	**3.05% to 3.92%**	4.05% to 4.57%
Variable-rate borrowings	**0.20% to 4.79%**	0.40% to 4.35%

34. BORROWINGS (CONTINUED)

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

Original currencies	**US$** RMB'000	**HK$** RMB'000	**EUR** RMB'000
At 31 December 2019	**788,311**	**34,040**	**607,264**
At 31 December 2018	1,295,585	175,240	487,609

35. SHARE CAPITAL OF THE COMPANY

	Number of shares		**Share capital**	
	2019 **'000**	2018 '000	**2019** **HK$'000**	2018 HK$'000
Ordinary shares of HK$0.1 each				
Authorised				
At beginning and end of year	**5,000,000**	5,000,000	**500,000**	500,000

	Number of shares		**Share capital**	
	2019 **'000**	2018 '000	**2019** **RMB'000**	2018 RMB'000
Issued and fully paid				
At beginning of year	**1,146,253**	1,140,544	**114,902**	114,425
Exercise of share options under the Company's employee share option scheme (note 42)	**3,738**	5,709	**325**	477
At end of year	**1,149,991**	1,146,253	**115,227**	114,902

36. NON-CONTROLLING INTERESTS

	2019 RMB'000	2018 RMB'000
Balance at beginning of year	**268,292**	294,157
Share of total comprehensive income for the year	**77,755**	56,298
Capital contribution from non-controlling shareholders	**1,050**	500
Acquisition of additional interest in a subsidiary	**–**	(24,308)
Non-controlling interests arising on the acquisition of a subsidiary (note 37)	**71,652**	69,387
Deemed acquisition of non-controlling interests	**–**	(10,294)
Dividends declared to non-controlling shareholders during the year	**–**	(117,448)
Balance at end of year	**418,749**	268,292

As at 31 December 2019 and 2018, the Group had following subsidiaries with non-controlling interests:

Name of subsidiary	**Place of incorporation and principal place of business**	**Proportion of ownership interests and voting rights held by non-controlling interests**		**Profit (loss) allocated to non-controlling interests**		**Accumulated non-controlling interests**	
		31/12/2019 %	31/12/2018 %	**31/12/2019 RMB'000**	31/12/2018 RMB'000	**31/12/2019 RMB'000**	31/12/2018 RMB'000
Guangzhou Minhui Automobile Parts Co., Ltd (Guangzhou Minhui)	the PRC as a foreign equity joint venture enterprise	**30**	30	**18,514**	24,680	**71,590**	53,076
Guangzhou Tokai	the PRC as a foreign equity joint venture enterprise	**50**	N/A	**25,985**	N/A	**97,636**	N/A
Wuhan Tokai Minth Automotive Parts Co., Ltd	the PRC as a foreign equity joint venture enterprise	**50**	50	**38,565**	34,242	**160,860**	122,295
UATC	Taiwan	**55.82**	55.82	**(7,260)**	(7,635)	**58,924**	65,094
Individually immaterial subsidiaries with non-controlling interests						**29,739**	27,827
						418,749	268,292

36. NON-CONTROLLING INTERESTS (CONTINUED)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

(i) Guangzhou Minhui

	2019 RMB'000	2018 RMB'000
Current assets	**209,097**	243,397
Non-current assets	**234,194**	251,623
Current liabilities	**191,212**	304,841
Non-current liabilities	**8,673**	8,487
Equity attributable to owners of the Company	**171,816**	128,616
Non-controlling interests	**71,590**	53,076

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Revenue	**757,313**	873,332
Expenses	**695,599**	791,067
Profit for the year	**61,714**	82,265
Profit attributable to owners of the Company	**43,200**	57,585
Profit attributable to non-controlling interests	**18,514**	24,680
Net cash inflow from operating activities	**122,140**	90,182
Net cash outflow from investing activities	**(92,707)**	(16,032)
Net cash outflow from financing activities	**(30,233)**	(143,967)
Net cash outflow	**(800)**	(69,817)

36. NON-CONTROLLING INTERESTS (CONTINUED)

(ii) Guangzhou Tokai

	2019 RMB'000
Current assets	302,201
Non-current assets	71,983
Current liabilities	178,912
Equity attributable to owners of the Company	97,636
Non-controlling interests	97,636

	From date of acquisition to 31/12/2019 RMB'000
Revenue	253,353
Expenses	201,383
Profit for the period	51,970
Profit attributable to owners of the Company	25,985
Profit attributable to non-controlling interests	25,985
Dividends declared to non-controlling shareholders	–
Net cash inflow from operating activities	22,375
Net cash outflow from investing activities	(193)
Net cash inflow from financing activities	–
Net cash inflow	22,182

36. NON-CONTROLLING INTERESTS (CONTINUED)

(iii) Wuhan Tokai Minth Automotive Parts Co., Ltd.

	2019 RMB'000	2018 RMB'000
Current assets	**282,193**	187,950
Non-current assets	**142,522**	151,758
Current liabilities	**102,567**	94,489
Non-current liabilities	**428**	629
Equity attributable to owners of the Company	**160,860**	122,295
Non-controlling interests	**160,860**	122,295

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Revenue	**398,057**	339,901
Expenses	**320,927**	271,417
Profit for the year	**77,130**	68,484
Profit attributable to owners of the Company	**38,565**	34,242
Profit attributable to non-controlling interests	**38,565**	34,242
Net cash inflow from operating activities	**126,751**	45,669
Net cash outflow from investing activities	**(155,121)**	(14,260)
Net cash outflow from financing activities	**–**	–
Net cash (outflow) inflow	**(28,370)**	31,409

36. NON-CONTROLLING INTERESTS (CONTINUED)

(iv) UATC and UATC's subsidiary

	2019 RMB'000	2018 RMB'000
Current assets	**122,337**	87,328
Non-current assets	**121,400**	78,914
Current liabilities	**105,784**	48,086
Non-current liabilities	**31,775**	1,050
Equity attributable to owners of the Company	**46,637**	51,519
Non-controlling interests of UATC	**58,924**	65,094
Non-controlling interests of UATC's subsidiary	**617**	493

36. NON-CONTROLLING INTERESTS (CONTINUED)

(iv) UATC and UATC's subsidiary (Continued)

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Revenue	**192,852**	131,736
Expenses	**205,764**	145,424
Loss for the period	**(12,912)**	(13,688)
Loss attributable to owners of the Company	**(5,746)**	(6,042)
Loss attributable to non-controlling interests of UATC	**(7,260)**	(7,635)
Profit (loss) attributable to non-controlling interests of UATC's subsidiary	**94**	(11)
Loss for the period	**(12,912)**	(13,688)
Other comprehensive income (expense) attributable to owners of the Company	**864**	(113)
Other comprehensive income (expense) attributable to non-controlling interests of UATC	**1,090**	(143)
Other comprehensive income attributable to non-controlling interests of UATC's subsidiary	**30**	4
Other comprehensive income (expense) for the year	**1,984**	(252)
Total comprehensive expense attributable to owners of the Company	**(4,882)**	(6,155)
Total comprehensive expense attributable to non-controlling interests of UATC	**(6,170)**	(7,778)
Total comprehensive income (expense) attributable to non-controlling interests of UATC's subsidiary	**124**	(7)
Total comprehensive expense for the year	**(10,928)**	(13,940)
Dividends declared to non-controlling shareholders	**–**	–
Net cash (outflow) inflow from operating activities	**(12,519)**	2,830
Net cash outflow from investing activities	**(3,817)**	(1,999)
Net cash inflow from financing activities	**3,303**	5,913
Net cash (outflow) inflow	**(13,033)**	6,744

37. ACQUISITION OF A SUBSIDIARY

For the year ended 31 December 2019

In December 2018, the Group entered into a sale and purchase agreement with Tokai Kogyo Co., Ltd. ("Tokai Kogyo") and Mitsui & Co., Ltd. ("Mitsui"), the other shareholders of an associate of the Group, Guangzhou Tokai, pursuant to which Tokai Kogyo and Mitsui had agreed to sell and the Group had agreed to purchase aggregately 0.97% equity interests of Guangzhou Tokai at the consideration of RMB1,913,000. Meanwhile, the Group has the right to appoint majority of directors of the board of Guangzhou Tokai.

The acquisition has been completed on 2 January 2019 when the Group obtained the control over Guangzhou Tokai, upon which, Guangzhou Tokai became a non-wholly owned subsidiary of the Group. The acquisition is accounted for by acquisition method.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	2 January 2019 RMB'000
Current assets	
Cash and cash equivalents	131,128
Trade and other receivables	89,952
Inventories	19,147
Non-current assets	
Property, plant and equipment	46,408
Right-of-use assets	6,429
Other intangible assets	1,019
Deferred tax assets	202
Current liabilities	
Trade and other payables	(149,433)
Tax liabilities	(1,548)
	143,304

This transaction has resulted in the Group recognising a gain on deemed disposal of associate amounting to RMB836,000 in profit or loss, calculated as follows:

	RMB'000
Fair value of previously held equity interest	70,264
Less: carry amount of previously held equity interest on the date of transaction	(69,428)
Gain recognised in profit or loss	836

37. ACQUISITION OF A SUBSIDIARY (CONTINUED)

For the year ended 31 December 2019 (Continued)

Non-controlling interests

The non-controlling interest of 50% in Guangzhou Tokai recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Guangzhou Tokai and amounted to RMB71,652,000.

Goodwill arising on acquisition (determined on a provisional basis)

	2 January 2019 RMB'000
Consideration transferred	1,913
Plus: fair value of previously held equity interest	70,264
Less: recognised amount of identifiable net assets acquired	(71,652)
Goodwill arising on acquisition	525

Goodwill arose on the acquisition of Guangzhou Tokai is mainly attributable to the synergies expected to be achieved from integrating Guangzhou Tokai into the Group's existing business operations. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash inflows arising on acquisition

	RMB'000
Consideration paid in cash	(1,913)
Less: cash and cash equivalent balances acquired	131,128
	129,215

Impact of acquisition on the results of the Group

Included in the profit for the year is profit of RMB51,970,000 arising from Guangzhou Tokai. Revenue for the year includes RMB253,353,000 attributable to Guangzhou Tokai.

37. ACQUISITION OF A SUBSIDIARY (CONTINUED)

For the year ended 31 December 2018

On 8 September 2017, Cheerplan (HK) Limited ("Cheerplan (HK)"), a wholly-owned subsidiary of the Group, entered into a subscription agreement with UATC, a company whose shares are listed on the Taipei Exchange, pursuant to which UATC had conditionally agreed to issue and Cheerplan (HK) had conditionally agreed to subscribe for 55,900,000 of its shares at a consideration of New Taiwan Dollar 313,040,000 (equivalent to RMB69,195,000), representing 44.18% of the total issued share capital of UATC immediately upon completion of the subscription. Cheerplan (HK) had the right to appoint three out of four executive directors of the board of UATC. In addition, Mr. Chin also entered into a subscription agreement with UATC through his wholly-owned company to subscribe for shares in UATC, Mr. Chin would come to hold 9.96% of the total issued share capital of UATC. Details of the subscriptions were set out in the Group's announcement dated 8 September 2017.

The consideration was fully paid by Cheerplan (HK) in November 2017, and the acquisition had been completed on 10 January 2018 when Cheerplan (HK) obtain the control over UATC, upon which, UATC became a non-wholly-owned subsidiary of the Group because the directors were of the opinion that the Group has power over UATC, is exposed, or has rights, to variable returns from its involvement with UATC and had the ability to use its power to affect its returns. The acquisition were accounted for by acquisition method.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	10 January 2018 RMB'000
Current assets	
Cash and cash equivalents	49,100
Trade and other receivables	25,931
Inventories	23,083
Pledged bank deposits	4,417
Prepaid lease payment	166
Non-current assets	
Property, plant and equipment	61,087
Other intangible assets	48
Deferred tax assets	426
Pledged bank deposits	720
Prepaid lease payment	7,252
Current liabilities	
Trade and other payables	(23,860)
Tax liabilities	(279)
Borrowings	(19,658)
Non-current liabilities	
Deferred tax liabilities	(78)
Bill payables	(2,885)
Retirement benefit obligations	(1,165)
	124,305

The fair value of trade and other receivables approximates its gross contractual amounts amounting to RMB25,931,000 at the date of acquisition, which were expected to be fully collected.

37. ACQUISITION OF A SUBSIDIARY (CONTINUED)

For the year ended 31 December 2018 (Continued)

Non-controlling interests

The non-controlling interest of 55.82% in UATC recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of UATC and amounted to RMB69,387,000.

Goodwill arising on the acquisition

	10 January 2018 RMB'000
Consideration transferred	69,195
Plus: non-controlling interests	69,387
Less: recognised amount of identifiable net assets acquired	(124,305)
Goodwill arising on acquisition	14,277

Goodwill arose on the acquisition of UATC is mainly attributable to the synergies expected to be achieved from integrating UATC into the Group's existing business operations. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash inflows arising on acquisition

	RMB'000
Consideration paid in cash	(69,195)
Recorded as prepayment as of 31 December 2017	69,195
Add: cash and cash equivalent balances acquired	49,100
	49,100

Impact of acquisition on the results of the Group

Included in the profit for the year is loss of RMB13,677,000 arising from UATC. Revenue for the year includes RMB131,736,000 attributable to UATC.

Had the acquisition of UATC been completed on 1 January 2018, the total amount of revenue of the Group for the year would have been RMB12,586,782,000 and the amount of the profit for the year would have been RMB1,734,134,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had UATC been acquired at the beginning of the current year, the directors of the Company calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

38. DISPOSAL OF A SUBSIDIARY

For the year ended 31 December 2018

On 27 June 2018, Jiaxing Yuting Properties Co., Ltd. ("Jiaxing Yuting"), a wholly-owned subsidiary of the Group entered into an equity transfer agreement with Jiaxing Huazhuo Real Estate Co., Ltd., a connected person of the Company by virtue of it being a company indirectly wholly-owned by Mr. Chin, pursuant to which Jiaxing Yuting agreed to dispose the entire interest in Jiaxing Yuhui Properties Co., Ltd. ("Jiaxing Yuhui") at a consideration of approximately RMB46,677,000. The disposal had been completed on the same day when Jiaxing Yuting lost the control of Jiaxing Yuhui.

Analysis of assets and liabilities over which control was lost

	RMB'000
Current assets	53,302
Current liabilities (note)	(12,439)
Net assets disposed of	40,863

Gain on disposal of a subsidiary

	RMB'000
Net assets disposed of	(40,863)
Total consideration	46,677
Gain on disposal	5,814

Net cash inflow arising on disposal of a subsidiary

	RMB'000
Cash consideration	46,677
Less: bank balances and cash disposed of	(7)
	46,670

Note: Included in the current liabilities, RMB11,450,000 was due to Jiaxing Yuting, which had been fully repaid to the Group subsequent to the disposal.

The impact of Jiaxing Yuhui on the Group's results and cash flows in the current and prior year is disclosed below:

During the year, the loss from Jiaxing Yuhui before the disposal date amounted to approximately RMB848,000.

38. DISPOSAL OF A SUBSIDIARY (CONTINUED)

For the year ended 31 December 2018 (Continued)

Cash flows from Jiaxing Yuhui before the date of disposal:

	From 1 January to date of disposal RMB'000	Year ended 31 December 2017 RMB'000
Net cash outflow from operating activities	(3,369)	(243)
Net cash inflow from financing activities	1,600	—
Net cash outflow	(1,769)	(243)

39. LEASE LIABILITIES

	2019 RMB'000
Lease liabilities payable:	
Within one year	**5,311**
Within a period of more than one year but not more than two years	**3,792**
Within a period of more than two years but not more than five years	**2,976**
Within a period of more than five years	**86,800**
	98,879
Less: Amount due for settlement within 12 months shown under current liabilities	**(5,311)**
Amount due for settlement after 12 months shown under non-current liabilities	**93,568**

40. OPERATING LEASES

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000
Within one year	10,706
In the second to fifth year inclusive	14,786
After five years	7,793
	33,285

Operating lease payments represent rentals payable by the Group for certain of its properties. The leases are negotiated for terms ranging from 1 to 5 years and rentals are fixed for the terms.

40. OPERATING LEASES (CONTINUED)

The Group as lessor

The Group lets a part of its buildings under operating leases. Property rental income earned during the year was RMB17,954,000 (2018: RMB14,018,000).

Minimum lease payments receivable on leases are as follows:

	2019 RMB'000
Within one year	**3,706**
In the second to fifth year inclusive	**3,046**
	6,752

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2018 RMB'000
Within one year	15,832
In the second to fifth year inclusive	7,494
	23,326

41. COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisitions of property, plant and equipment	**333,316**	382,399

42. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme:

The Company's share option scheme (the "2005 Share Option Scheme") was adopted pursuant to a resolution passed on 13 November 2005 for the primary purpose of providing incentives to directors and eligible employees, and originally adopted for a term of 10 years. Under the 2005 Share Option Scheme, the Board may grant options to eligible employees, including the Directors of the Group, to subscribe for the shares of the Company. The 2005 Share Option Scheme has been terminated and replaced by a new share option scheme, which was approved in the annual general meeting held on 22 May 2012 and will be valid for 10 years from the date of its adoption (the "2012 Share Option Scheme"). Detail of the 2012 Share Option Scheme refers to the announcement of the Company on 20 April 2012.

The Group has granted a series of share options in 2008, 2011, 2012, 2014 and 2015 under the 2005 Share Option Scheme and 2012 Share Option Scheme, respectively. On 10 April 2018, approved by the Board of Directors, the Group granted 25,000,000 share options to certain directors and employees under the 2012 Share Option Scheme, pursuant to which, 30% of the granted options can be exercised on or after 1 April 2019, 30% of the granted options can be exercised on or after 1 April 2020 and the remaining 40% of options can be exercised on or after 1 April 2021. The exercise price is HK$37.60. Details of the share options granted as above refer to the respective announcements made by the Company and were shown in the below table.

At 31 December 2019, the total number of shares in respect of which options had been granted and remained outstanding under the 2012 Share Option Scheme was 31,724,500 (2018: 38,384,000), representing 2.76% (2018: 3.35%) of the shares of the Company in issue at end of the reporting period.

Details of the specific categories of options are as follows:

Option type	Date of grant	Tranche	Vesting period	Exercise period	Exercise price HK$	Fair value at grant date HK$
2014-I	16/01/2014	A	16/01/2014 to 31/05/2014	01/06/2014 to 31/05/2019	15.84	3.99
	16/01/2014	B	16/01/2014 to 31/05/2015	01/06/2015 to 31/05/2019	15.84	4.64
	16/01/2014	C	16/01/2014 to 31/05/2016	01/06/2016 to 31/05/2019	15.84	4.97
	16/01/2014	E	16/01/2014 to 31/05/2014	01/06/2014 to 31/05/2019	15.84	3.63
	16/01/2014	F	16/01/2014 to 31/05/2015	01/06/2015 to 31/05/2019	15.84	4.43
	16/01/2014	G	16/01/2014 to 31/05/2016	01/06/2016 to 31/05/2019	15.84	4.86
2014-II	16/01/2014	A	16/01/2014 to 31/05/2015	01/06/2015 to 31/05/2019	15.84	4.64
	16/01/2014	B	16/01/2014 to 31/05/2016	01/06/2016 to 31/05/2019	15.84	4.97
	16/01/2014	C	16/01/2014 to 31/05/2017	01/06/2017 to 31/05/2019	15.84	5.22
2015	25/03/2015	A	25/03/2015 to 31/12/2015	01/01/2016 to 31/12/2020	14.08	3.54
	25/03/2015	B	25/03/2015 to 31/12/2016	01/01/2017 to 31/12/2020	14.08	3.91
	25/03/2015	C	25/03/2015 to 31/12/2017	01/01/2018 to 31/12/2020	14.08	4.13
	25/03/2015	E	25/03/2015 to 31/12/2015	01/01/2016 to 31/12/2020	14.08	3.68
	25/03/2015	F	25/03/2015 to 31/12/2016	01/01/2017 to 31/12/2020	14.08	4.00
	25/03/2015	G	25/03/2015 to 31/12/2017	01/01/2018 to 31/12/2020	14.08	4.19
2018-I (note)	10/04/2018	A	10/04/2018 to 01/04/2019	02/04/2019 to 31/12/2023	37.60	9.25
	10/04/2018	B	10/04/2018 to 01/04/2020	02/04/2020 to 31/12/2023	37.60	9.61
	10/04/2018	C	10/04/2018 to 01/04/2021	02/04/2021 to 31/12/2023	37.60	9.80
	10/04/2018	E	10/04/2018 to 01/04/2019	02/04/2019 to 31/12/2023	37.60	9.25
	10/04/2018	F	10/04/2018 to 01/04/2020	02/04/2020 to 31/12/2023	37.60	9.61
	10/04/2018	G	10/04/2018 to 01/04/2021	02/04/2021 to 31/12/2023	37.60	9.80
2018-II	10/04/2018	A	10/04/2018 to 01/04/2019	02/04/2019 to 31/12/2023	37.60	9.25
	10/04/2018	B	10/04/2018 to 01/04/2020	02/04/2020 to 31/12/2023	37.60	9.61
	10/04/2018	C	10/04/2018 to 01/04/2021	02/04/2021 to 31/12/2023	37.60	9.80

Note: For the share options granted in 2018, the tranche A, B and C are granted to directors, while the tranche E, F and G are granted to employees.

42. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme: (Continued)

The following tables disclose movements of the Company's share options held by employees and directors during the year ended 31 December 2019 and 2018:

2019:

Option type	Outstanding at 01/01/2019	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31/12/2019
2014-I-A	185,550	–	(185,550)	–	–
2014-I-B	402,050	–	(402,050)	–	–
2014-I-C	1,105,400	–	(1,105,400)	–	–
2014-I-F	19,928	–	(19,928)	–	–
2014-I-G	200,572	–	(200,572)	–	–
2014-II-C	48,000	–	(48,000)	–	–
2015A	547,550	–	(459,900)	(22,200)	65,450
2015B	2,701,050	–	(459,900)	(22,200)	2,218,950
2015C	6,086,400	–	(613,200)	(29,600)	5,443,600
2015F	326,043	–	(104,142)	(17,143)	204,758
2015G	1,761,457	–	(138,858)	(22,857)	1,599,742
2018-I-A	420,000	–	–	–	420,000
2018-I-B	420,000	–	–	–	420,000
2018-I-C	560,000	–	–	–	560,000
2018-I-E	3,300,000	–	–	(362,400)	2,937,600
2018-I-F	3,300,000	–	–	(362,400)	2,937,600
2018-I-G	4,400,000	–	–	(483,200)	3,916,800
2018-II-A	3,780,000	–	–	(480,000)	3,300,000
2018-II-B	3,780,000	–	–	(480,000)	3,300,000
2018-II-C	5,040,000	–	–	(640,000)	4,400,000
	38,384,000	–	(3,737,500)	(2,922,000)	31,724,500
Exercisable at the end of the year					16,190,100
Weighted average exercise price	HK$29.49	–	HK$15.00	HK$36.68	HK$30.53

42. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme: (Continued)

2018:

Option type	Outstanding at 01/01/2018	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31/12/2018
2014-I-A	358,550	—	(173,000)	—	185,550
2014-I-B	579,550	—	(177,500)	—	402,050
2014-I-C	1,371,400	—	(266,000)	—	1,105,400
2014-I-E	196,250	—	(196,250)	—	—
2014-I-F	230,750	—	(210,822)	—	19,928
2014-I-G	415,000	—	(214,428)	—	200,572
2014-II-C	84,000	—	(36,000)	—	48,000
2015A	1,461,000	—	(913,450)	—	547,550
2015B	3,577,000	—	(875,950)	—	2,701,050
2015C	7,526,000	—	(1,439,600)	—	6,086,400
2015E	64,900	—	(64,900)	—	—
2015F	994,400	—	(668,357)	—	326,043
2015G	2,233,800	—	(472,343)	—	1,761,457
2018-I-A	—	420,000	—	—	420,000
2018-I-B	—	420,000	—	—	420,000
2018-I-C	—	560,000	—	—	560,000
2018-I-E	—	3,300,000	—	—	3,300,000
2018-I-F	—	3,300,000	—	—	3,300,000
2018-I-G	—	4,400,000	—	—	4,400,000
2018-II-A	—	3,780,000	—	—	3,780,000
2018-II-B	—	3,780,000	—	—	3,780,000
2018-II-C	—	5,040,000	—	—	5,040,000
	19,092,600	25,000,000	(5,708,600)	—	38,384,000
Exercisable at the end of the year					13,384,000
Weighted average exercise price	HK$14.38	HK$37.60	HK$14.47	—	HK$29.49

Note: The forfeiture represented the share options granted to the eligible directors and employees of the Group, which were forfeited upon their resignation in respective years.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$26.26 (2018: HK$41.95).

42. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme: (Continued)

The fair value of the options granted on 10 April 2018 are RMB192,395,000, which was calculated using the Binomial model. The inputs into the model were as follows:

	2018 Option
Grant date share price	HK$37.60
Exercise price	HK$37.60
Expected volatility	34%
Option life	5.73 years
Risk-free rate	1.69%
Expected dividend yield	2.77%
Early exercise multiple	2.07~2.10

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5.73 years. The expected life used in the model has been adjusted, based on management's best estimate for the effects of behavioural considerations.

The Group recognised the total expense of RMB63,081,000 (2018: RMB73,702,000) for the year ended 31 December 2019 in relation to share options granted by the Company.

43. RETIREMENT BENEFITS SCHEME

Defined contribution plans

The employees of the Group's PRC subsidiaries are members of the state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

The total cost charged to profit or loss of RMB111,346,000 (2018: RMB128,356,000) represents contributions paid to the retirement benefits scheme by the Group in respect of the current year.

Defined benefit plans

(a) PTI

The Group sponsors a funded defined benefit plan for qualified employees of PTI in the USA. The defined benefit plan is administered by a separate fund that is legally separated from the entity. The pension committee is composed of one or more members. The pension committee is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The pension committee is responsible for the investment policy with regard to the assets of the fund.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2019 by Cuni, Rust & Strenk, Fellow of the Society of Actuaries in the USA. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The pension plan has been frozen since 1 January 2007.

43. RETIREMENT BENEFITS SCHEME (CONTINUED)

Defined benefit plans (Continued)

(a) PTI (Continued)

The total cost charged to profit or loss is RMB741,000 (2018: RMB179,000), representing the net interest on the net defined benefit liability.

The actuarial valuation showed that the market value of plan assets was RMB44,351,000 (2018: RMB38,188,000) and that the actuarial value of these assets represented 72.84% (2018: 71.17%) of the benefits that had accrued to members. The shortfall of RMB16,537,000 (2018: RMB15,471,000) is to be cleared by the contributions to be made by the Group in the future years.

	2019 **RMB'000**	2018 RMB'000
Present value of funded defined benefit obligations	**60,888**	53,659
Fair value of plan assets	**(44,351)**	(38,188)
Funded status and net liability arising from defined benefit obligation	**16,537**	15,471

(b) UATC

The Group sponsors a funded defined benefit plan for qualifying employees of UATC in Taiwan, China. The defined benefit plan is administered by a separate fund that is legally separated from the entity. The pension committee is composed of one or more members. The pension committee is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The pension committee is responsible for the investment policy with regard to the assets of the fund.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2019 by Professional Actuary Management Consulting Co., Ltd., Fellow of the Institute of Actuaries in Taiwan, China. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The total cost charged to profit or loss is RMB25,000 (2018: RMB97,000), representing the service cost and net interest on the net defined benefit liability.

The actuarial valuation showed that the market value of plan assets was RMB1,965,000 (2018: RMB1,805,000) and that the actuarial value of these assets outweighs the benefits that had accrued to members.

43. RETIREMENT BENEFITS SCHEME (CONTINUED)

Defined benefit plans (Continued)

(b) UATC (Continued)

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plan is as follows:

	2019 RMB'000	2018 RMB'000
Present value of funded defined benefit obligations	**(23)**	(17)
Fair value of plan assets	**1,965**	1,805
Funded status and net asset arising from defined benefit obligation	**1,942**	1,788

44. OTHER LONG-TERM LIABILITY AND 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.

During the year ended 31 December 2018, the Group entered into an agreement with a local government agency in the PRC, who agreed to inject capital contribution amounting to RMB60,000,000 together with the interest into Jiaxing Guowei Automotive Parts Co., Ltd. ("Jiaxing Guowei"), a subsidiary of the Group. Pursuant to the capital injection agreement, the local government agency would not participate in Jiaxing Guowei's operation and management. The local government agency would enforce the right requiring the Group, and the Group is obligated, to redeem the capital injection from local government agency within three years after the receipt of the capital, with interest calculated based on three-year bank loan benchmark rate stipulated by the People's Bank of China. Therefore, the capital injection made by the local government agency is treated as a long-term liability. As at 31 December 2019, the carrying amount of this long-term liability together with the interest payable is RMB64,345,000.

* The English names are for identification purposes only.

45. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Saved as disclosed elsewhere, the Group has the following significant transactions with related/connected parties during the year and prior year:

Relationship with related/connected party	Nature of transactions	2019 RMB'000	2018 RMB'000
A joint venture, in which the Company has a 50% equity interest	Sales of finished goods	**48,510**	50,552
	Sales of raw materials	**4,371**	1,626
	Sales of property, plant and equipment	**–**	394
	Purchases of raw materials	**28,818**	32,767
	Purchases of finished goods/semi-finished goods	**5,662**	1,510
	Consulting services income	**1,022**	1,121
A joint venture, in which the Company has a 40% equity interest	Utilities income	**944**	769
	Property rentals income	**1,160**	1,036
A joint venture, in which the Company has a 51% equity interest	Purchases of raw materials	**4,184**	–
An associate, in which the Company has a 35% equity interest	Sales of raw materials	**1,901**	1,905
An associate, in which the Company has a 49% equity interest	Sales of finished goods	**N/A**	54,730
	Sales of raw materials	**N/A**	7,862
	Sales of moulds	**N/A**	6,438
	Sales of property, plant and equipment	**N/A**	2,206
	Purchases of finished goods	**N/A**	30,695
	Purchases of moulds	**N/A**	1,543
	Purchases of raw materials	**N/A**	5,959
	Consulting services income	**N/A**	3,273
An associate, in which the Company has a 30% equity interest	Sales of finished goods/raw materials	**2,568**	9,500
	Purchases of finished goods	**22,675**	650
	Purchases of raw materials	**63,865**	52,469
	Purchases of property, plant and equipment	**6,383**	–
An associate, in which the Company has a 25.4% equity interest	Sales of moulds	**–**	6,097
	Sales of property, plant and equipment	**–**	10,681
An associate, in which the Company has a 30% equity interest	Sales of finished goods	**39,966**	25,583
	Utilities income	**721**	834
	Property rentals income	**2,135**	2,146
Non-controlling shareholders of subsidiaries	Sales of finished goods	**438**	13,551
	Purchases of raw materials and moulds	**36,213**	24,108
	Technology support services charges	**33,537**	27,533
Companies in which Mr. Chin and his family have control	Sales of raw materials	**11**	4,445
	Sales of moulds	**73**	1,410
	Purchases of finished goods	**23,400**	2,192
	Purchases of finished moulds/semi-finished moulds	**76,485**	104,375
	Purchases of raw materials/semi-finished goods	**1,424**	3,408
	Technology support services charges	**18,398**	18,298
	Purchases of property, plant and equipment	**16,084**	1,395
	Property rentals income	**2,320**	1,145

45. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS (CONTINUED)

The remuneration of Directors and other members of key management during the year is as follows:

	2019 RMB'000	2018 RMB'000
Short-term benefits	**14,723**	11,376
Post-employment benefits	**149**	43
Share-based payments	**4,569**	6,781
	19,441	18,200

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

46. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**9,297,093**	8,063,756
Loan receivables	**6,000**	8,000
Derivative financial assets	**3,204**	4,878
Debt instruments at FVTOCI	**256,647**	335,864
Financial liabilities:		
Financial liability at FVTPL	**800,000**	—
Amortised cost	**7,204,455**	7,125,138
Derivative financial liabilities	**2,640**	1,929

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, bank balances and cash, pledged bank deposits, debt instruments at FVTOCI, derivative financial assets/liabilities, borrowings, trade and other payables, lease liabilities, other long-term liability and financial liability at FVTPL. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

46. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The Group's exposure to foreign currency risk is arising mainly from:

(1) The Company and certain subsidiaries have bank balances denominated in foreign currencies.

(2) Certain subsidiaries of the Group also have foreign currency denominated sales and purchases and certain trade receivables and payables of these subsidiaries are denominated in foreign currencies other than the functional currency of respective subsidiaries (i.e. RMB, US$, etc.).

(3) The Company and certain subsidiaries also have borrowings denominated in foreign currencies.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the end of reporting period are as follows:

	Liabilities		**Assets**	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
US$	**824,891**	1,318,960	**304,314**	900,748
EUR	**629,663**	513,320	**216,570**	315,166
JPY	**52,894**	36,931	**32,560**	20,843
HK$	**40,591**	178,702	**9,181**	32,603
MXN	**83,221**	77,834	**31,097**	45,964
	1,631,260	2,125,747	**593,722**	1,315,324

The Group also entered into certain foreign exchange forward contracts and structural option contracts to mitigate its foreign currency exposure.

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2018: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes (i) outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2018: 5%) change in foreign currency rates; (ii) outstanding foreign currency forward contracts adjusts for a 5% (2018: 5%) change in foreign currency rates at the year end; and (iii) outstanding structural option contracts and adjusts for a 5% (2018: 5%) change in foreign currency rates at the year end. A positive number below indicates an increase in post-tax profit where RMB strengthens 5% (2018: 5%) against the relevant currency while a negative number indicates a decrease in post-tax profit.

46. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

This sensitivity analysis also details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in US$ against the relevant foreign currencies. 5% (2018: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2018: 5%) change in foreign currency rates.

	2019 RMB'000	2018 RMB'000
If RMB strengthens against US$	**23,695**	19,945
If RMB weakens against US$	**(23,695)**	(19,945)
If RMB strengthens against EUR	**17,933**	6,536
If RMB weakens against EUR	**(17,933)**	(6,536)
If RMB strengthens against JPY	**854**	675
If RMB weakens against JPY	**(854)**	(675)
If RMB strengthens against MXN	**2,146**	1,333
If RMB weakens against MXN	**(2,146)**	(1,333)
If RMB strengthens against HK$	**1,319**	6,114
If RMB weakens against HK$	**(1,319)**	(6,114)
If US$ strengthens against EUR	**24**	78
If US$ weakens against EUR	**(24)**	(78)
If US$ strengthens against MXN	**2,146**	1,333
If US$ weakens against MXN	**(2,146)**	(1,333)

46. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits, bank borrowings and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 31 and 34) and other long-term liabilities. The Group's exposures to interest rates on interest rate swap contracts and structural option contracts are detailed in the liquidity risk management section of this note. The Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate financial instruments (including bank balances and borrowings) at the end of the reporting period. The analysis is prepared assuming the balances outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis point (2018: 10 basis point) increase or decrease in interest rates on variable-rate bank balances and a 50 basis point (2018: 50 basis point) increase or decrease in interest rates on variable-rate borrowings represent management's assessment of the reasonably possible change in interest rates.

If interest rates on variable-rate bank balances had been 10 basis point (2018: 10 basis point) higher/lower and all other variables were held constant, the Group's post-tax profit would have increased/decreased by RMB2,823,000 (2018: increased/decreased by RMB2,625,000). If interest rates on variable-rate borrowings had been 50 basis point (2018: 50 basis point) higher/lower and all other variables were held constant, the Group's post-tax profit would have decreased/increased by RMB19,967,000 (2018: decreased/increased by RMB17,121,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and borrowings.

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets and contract assets as stated in the consolidated statement of financial position.

46. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables and contract assets arising from contracts with customers

The customers of the Group are mainly sizable domestic and international automobile manufacturers and certified suppliers of those automobile manufacturers. The Group arranges production plan and deliver automobile body parts strictly following orders from customers in accordance with the production plan of the customers. For mould development, the Group requires certain prepayment in advance before the commencement of development. Furthermore, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group performs impairment assessment under ECL model based on provision matrix, in order to ensure that adequate impairment losses are made for the trade receivables and contract assets, trade receivables that are credit impaired are assessed for ECL individually.

As part of the Group's impairment assessment, the Group uses provision matrix to assess the impairment for its customers because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix are based on internal credit ratings as groupings of various debtors that have similar loss patterns.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Other receivables and loan receivables

The Group makes individual assessment for significant outstanding items and portfolio assessment for other items with a large number of insignificant balances on the recoverability of other receivables and loan receivables on 12m ECL basis.

Debt instruments at FVTOCI

The Group's debt instruments at FVTOCI are bill receivables that are issued by banks with high credit rating. Therefore, these bill receivables are considered to be at low credit risk and the loss allowance is measured on 12m ECL basis.

46. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Liquid funds

The Group's credit risk on liquid funds is low because most of bank deposits are deposited in or contracted with several state-owned banks with good reputation and with high credit ratings assigned by international credit-rating agencies. No recognition of ECL on bank balances and pledged bank deposits is considered necessary. In addition, there is no significant concentration of credit risk in respect of bank balances and pledged bank deposits.

The Group has concentration of credit risk on trade receivables. At 31 December 2019, the Group's ten largest customers accounted for 37% (2018: 45%) of the total trade receivables.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 74% (2018: 71%) of the total trade receivables as at 31 December 2019.

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	Internal credit rating	12-month or lifetime ECL	2019 Gross carrying amount RMB'000	2018 Gross carrying amount RMB'000
Debt instruments at FVTOCI	22	N/A	12-month ECL	**256,647**	335,864
Financial assets at amortised costs					
Loan receivables	23	(Note 1)	12-month ECL	**6,000**	8,000
Pledged bank deposits	31	N/A	12-month ECL	**21,267**	65,663
Bank balances	31	N/A	12-month ECL	**5,687,234**	4,521,870
Other receivables	27	(Note 1)	12-month ECL	**256,619**	314,387
			Lifetime ECL (credit-impaired)	**1,769**	6,350
				258,388	320,737
Trade receivables	27	(Note 2)	Lifetime ECL (not credit impaired)	**3,336,539**	3,119,407
			Lifetime ECL (credit-impaired)	**11,692**	36,079
				3,348,231	3,155,486
Other items					
Contract assets	28	(Note 2)	Lifetime ECL (not credit impaired)	**810,772**	582,333

46. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

2019

	Past due RMB'000	Not past due/No fixed repayment terms RMB'000	Total RMB'000
Loan receivables	**—**	**6,000**	**6,000**
Other receivables	**1,769**	**256,619**	**258,388**
	1,769	**262,619**	**264,388**

2018

	Past due RMB'000	Not past due/No fixed repayment terms RMB'000	Total RMB'000
Loan receivables	—	8,000	8,000
Other receivables	6,350	314,387	320,737
	6,350	322,387	328,737

2. For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors which are credit-impaired, the Group determines the expected credit loss on these items by using a provision matrix.

46. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

As part of the Group's credit risk management, trade receivables and contract assets have been grouped based on a systematic internal credit rating with reference to a matrix of factors including the customer's nature, ageing analysis, recent financial performance of the customer and historical credit loss experience. Each group consists of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. When assessing the internal credit rating of the customers, the rank and size of customers, the financial performance are considered. The following table provides information about the exposure to credit risk and ECL for trade receivables and contract assets which are assessed collectively based on provision matrix as at 31 December 2019 and 2018 within lifetime ECL (not credit impaired).

2019	**Average Loss rate**	**Impairment loss allowance RMB'000**	**Trade receivables gross carrying amount RMB'000**	**Contract assets gross carrying amount RMB'000**	**Total RMB'000**
Customer Group A	**0.08%**	**2,622**	**2,348,292**	**810,772**	**3,159,064**
Customer Group B	**0.18%**	**1,679**	**933,242**	**—**	**933,242**
Customer Group C	**0.48%**	**265**	**55,005**	**—**	**55,005**

2018	Average Loss rate	Impairment loss allowance RMB'000	Trade receivables gross carrying amount RMB'000	Contract assets gross carrying amount RMB'000	Total RMB'000
Customer Group A	0.09%	2,559	2,262,518	582,333	2,844,851
Customer Group B	0.14%	1,138	795,370	—	795,370
Customer Group C	0.21%	132	61,519	—	61,519

During the year ended 31 December 2019, the Group provided RMB4,451,000 (2018: RMB4,878,000) impairment allowance for trade receivables based on the provision matrix and RMB1,071,000 (2018: RMB32,939,000) impairment allowance for credit impaired debtors, respectively. The Directors considered the impairment allowance for contract assets was not significant to the Group based on the provision matrix.

46. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit-Impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2018	6,044	22,037	28,081
Impairment losses recognised	4,878	32,939	37,817
Impairment losses reversed	(7,088)	(14,054)	(21,142)
Transfer to credit-impaired	(5)	5	—
Write-offs	—	(6,805)	(6,805)
As at 31 December 2018	3,829	34,122	37,951
Impairment losses recognised	**4,451**	**1,071**	**5,522**
Impairment losses reversed	**(1,189)**	**(4,032)**	**(5,221)**
Transfer to credit-impaired	**(2,525)**	**2,525**	**—**
Write-offs	**—**	**(21,994)**	**(21,994)**
As at 31 December 2019	**4,566**	**11,692**	**16,258**

The Group writes off a trade receivable when there is information indicating that debtors are in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtors have been placed under liquidation or have entered into bankruptcy proceedings.

The following table shows reconciliation of loss allowances that has been recognised for other receivables.

	12-month ECL RMB'000	Lifetime ECL (not credit-Impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2018	—	—	5,045	5,045
Transfer to credit-impaired	—	(1,892)	1,892	—
Transfer to Lifetime ECL	(5)	5	—	—
Impairment losses recognised	5	1,887	—	1,892
Impairment losses reversed	—	—	(70)	(70)
Write-offs	—	—	(517)	(517)
As at 31 December 2018	—	—	6,350	6,350
Transfer to credit-impaired	**—**	**(1,201)**	**1,201**	**—**
Transfer to Lifetime ECL	**(8)**	**8**	**—**	**—**
Impairment losses recognised	**8**	**1,193**	**—**	**1,201**
Impairment losses reversed	**—**	**—**	**(197)**	**(197)**
Write-offs	**—**	**—**	**(5,585)**	**(5,585)**
As at 31 December 2019	**—**	**—**	**1,769**	**1,769**

46. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

The Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. In addition, the following tables detail the Group's liquidity analysis for its derivative instruments. The tables have been drawn up based on the undiscounted net inflows and outflows on those derivatives.

Liquidity tables

	Weighted average interest rate %	Repayable on demand or less than three months RMB'000	Three months to six months RMB'000	Six months to one year RMB'000	More than one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2019							
Non-derivative financial liabilities							
Trade and other payables	**—**	**2,854,580**	**47,553**	**—**	**—**	**2,902,133**	**2,902,133**
Lease liabilities	**4.26**	**1,245**	**2,330**	**2,375**	**113,794**	**119,744**	**98,879**
Borrowings	**2.70**	**3,475,012**	**89,060**	**599,877**	**—**	**4,163,949**	**4,138,998**
Other long-term liability	**4.75**	**712**	**712**	**1,439**	**64,311**	**67,174**	**64,445**
Financial liability at FVTPL	**4.75**	**9,474**	**9,474**	**19,156**	**950,022**	**988,126**	**800,000**
		6,341,023	**149,129**	**622,847**	**1,128,127**	**8,241,126**	**8,004,455**
Derivative-gross settlement							
Foreign currency forward contracts							
— inflow		**(396,295)**	**(21,023)**	**—**	**—**	**(417,318)**	**(3,104)**
— outflow		**395,911**	**20,943**	**—**	**—**	**416,854**	**2,640**
Structural option contracts							
— net inflow		**(100)**	**—**	**—**	**—**	**(100)**	**(100)**
		(484)	**(80)**	**—**	**—**	**(564)**	**(564)**
2018							
Non-derivative financial liabilities							
Trade and other payables	—	2,736,096	—	135,000	—	2,871,096	2,871,096
Borrowings	3.33	3,048,035	129,680	948,655	—	4,126,370	4,091,130
Other long-term liability	2.72	—	—	—	170,057	170,057	162,912
		5,784,131	129,680	1,083,655	170,057	7,167,523	7,125,138
Derivative-gross settlement							
Foreign currency forward contracts							
— inflow		(394,234)	(73,947)	—	—	(468,181)	(3,610)
— outflow		391,877	73,864	—	—	465,741	1,170
Derivatives-net settlement							
Interest rate swap contracts							
— net inflow		(552)	(619)	—	—	(1,171)	(1,171)
— net outflow		—	—	—	759	759	759
Call option							
— net outflow		112,531	—	—	—	112,531	(50)
Structural option contracts							
— net inflow		(47)	—	—	—	(47)	(47)
		109,575	(702)	—	759	109,632	(2,949)

The amounts included above for variable-rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

46. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of derivative instruments is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and input(s) used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Financial assets/financial liabilities	Fair value as at 31/12/2019	Fair value as at 31/12/2018	Fair value hierarchy	Basis of fair value measurement/ valuation technique(s) and key input(s)
1)	Foreign exchange forward contracts	Assets – RMB3,104,000 Liabilities – RMB2,640,000	Assets – RMB3,610,000 Liabilities – RMB1,170,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rate at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
2)	Interest rate swaps	N/A	Assets – RMB1,171,000 Liabilities – RMB759,000	Level 2	Discounted cash flow. Future cash flows are estimated based on applicable yield curves derived from quoted interest rates and contracted interest rates on each maturity date and contracted forward interest rate at the end of the final maturity date, discounted at a rate that reflects the credit risk of various counterparties.

46. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value (Continued)

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

Financial assets/financial liabilities		Fair value as at 31/12/2019	Fair value as at 31/12/2018	Fair value hierarchy	Basis of fair value measurement/ valuation technique(s) and key input(s)
3)	Debt instruments at FVTOCI	Assets – RMB256,647,000	Assets – RMB335,864,000	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.
4)	Financial liability at FVTPL	Liability – RMB800,000,000	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on discount rate observed in the available market.
5)	Structural option contracts	Assets – RMB100,000	Assets — RMB47,000	Level 3	Fair value is derived using binomial tree computation method. The key parameters used include forward exchange rates (from observable forward exchange rate at the end of the reporting period), contracted exchange rates, discount rate, risk-free rate, time to maturity, and volatility.
6)	Call Option classified as derivative financial assets	N/A	Assets — RMB50,000	Level 3	Fair value is derived using Black-Scholes model and Binomial Tree computation method. The key parameters used include time to maturity, exercise price, risk-free rate, dividend yield and volatility.

There were no transfers between Level 1 and 2 in the current and prior years.

46. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value (Continued)

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

Reconciliation of Level 3 fair value measurement:

31 December 2019

	Structured Option contracts RMB'000	Call Option classified as derivative financial assets RMB'000	Total RMB'000
Opening balance	**47**	**50**	**97**
Fair value changes	**4,120**	**—**	**4,120**
Settlements	**(4,067)**	**(50)**	**(4,117)**
Closing balance	**100**	**—**	**100**

31 December 2018

	Structured Option contracts RMB'000	Call Option classified as derivative financial assets RMB'000	Total RMB'000
Opening balance	(79)	28,750	28,671
Fair value changes	(654)	(28,700)	(29,354)
Settlements	780	—	780
Closing balance	47	50	97

Of the total gains or losses for the period included in profit or loss, gain of RMB3,000 (2018: loss of RMB28,574,000) relates to structural option contracts and call option classified as derivative financial assets held at the end of the current reporting period. Fair value gains or losses on structural option contracts and call option classified as derivative financial assets are included in 'other gains and losses'.

46. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings, other long-term liability and financial liability at FVTPL disclosed in notes 34 and 44 net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Lease liabilities RMB'000 (note 39)	Borrowings RMB'000 (note 34)	Other long-term liability and financial liability at FVTPL RMB'000 (note 44)	Dividend payable RMB'000 (note 13)	Interest payable RMB'000 (note 32)	Total RMB'000
At 1 January 2018	–	2,493,574	101,412	–	8,561	2,603,547
Financing cash flows	–	1,515,324	60,000	(912,261)	(137,132)	525,931
Non-cash changes:						
Net foreign exchange gains	–	56,868	–	–	–	56,868
Interest expenses	–	–	1,500	–	136,007	137,507
Dividend recognised as distribution	–	–	–	794,813	–	794,813
Dividends to non-controlling shareholders	–	–	–	117,448	–	117,448
Exchange difference arising on translation of foreign operation	–	5,706	–	–	–	5,706
Acquisition of a subsidiary (note 37)	–	19,658	–	–	–	19,658
At 31 December 2018	–	4,091,130	162,912	–	7,436	4,261,478
Adjustment upon application of HKFRS 16	18,674	–	–	–	–	18,674
As at 1 January 2019 (restated)	**18,674**	**4,091,130**	**162,912**	**–**	**7,436**	**4,280,152**
Financing cash flows	**(6,607)**	**14,152**	**695,688**	**(667,384)**	**(149,634)**	**(113,785)**
Non-cash changes:						
Net foreign exchange gains	**–**	**23,297**	**–**	**–**	**–**	**23,297**
Interest expenses	**849**	**–**	**5,845**	**–**	**151,125**	**157,819**
Dividend recognised as distribution	**–**	**–**	**–**	**667,384**	**–**	**667,384**
Exchange difference arising on translation of foreign operation	**–**	**10,419**	**–**	**–**	**–**	**10,419**
Lease liabilities arising on the new lease agreement	**85,963**	**–**	**–**	**–**	**–**	**85,963**
At 31 December 2019	**98,879**	**4,138,998**	**864,445**	**–**	**8,927**	**5,111,249**

48. SUBSIDIARIES

Details of the Company's material subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place of Incorporation/ registration/operations	Attributable equity interest of the Group		Issued capital/ registered capital	Principal activities
		2019	2018		
Sinoone Holdings Limited	British Virgin Islands	**100%**	100%	US$1	Investment holding
Decade Industries Limited	British Virgin Islands	**100%**	100%	US$1	Investment holding
Mindway Holdings Limited	British Virgin Islands	**100%**	100%	US$1	Investment holding
Forecast Industries Limited	British Virgin Islands	**100%**	100%	US$1	Investment holding
Wealthfield Holdings Limited	British Virgin Islands	**100%**	100%	US$1	Investment holding
展圖控股有限公司 (Cheerplan Holdings Limited)	British Virgin Islands	**100%**	100%	US$1	Investment holding
恒銀國際有限公司 (Constant Gain International Limited)	British Virgin Islands	**100%**	100%	US$1	Investment holding
Franshoke Investments Limited	British Virgin Islands	**100%**	100%	US$1	Investment holding
Enboma Investments Limited	British Virgin Islands	**100%**	100%	US$39,000,000	Investment holding
Magic Figure Investments Limited	British Virgin Islands	**100%**	100%	US$1	Investment holding
i-Sun Limited	British Virgin Islands	**100%**	100%	US$2,000,000	Investment holding
司諾(香港)有限公司 (Sinoone (HK) Limited)	Hong Kong	**100%**	100%	HK$586,156,261	Investment holding
時銘(香港)有限公司 (Decade (HK) Limited)	Hong Kong	**100%**	100%	HK$19,824	Investment holding
睿途(香港)有限公司 (Mindway (HK) Limited)	Hong Kong	**100%**	100%	HK$344,801,918	Investment holding
展圖(香港)有限公司 (Cheerplan (HK) Limited)	Hong Kong	**100%**	100%	HK$4,620,219,992	Investment holding
泰琳發展有限公司 (Talentlink Development Limited)	Hong Kong	**100%**	100%	HK$10,000/ US$84,749,000	Investment holding
敏實財務有限公司 (Minth Financial Limited)	Hong Kong	**100%**	100%	HK$10,000	Bookkeeping service
明炻投資有限公司 (Minth Investment Limited)	Hong Kong	**100%**	100%	HK$42,534,337	Investment holding
銘仕國際有限公司 (Minth International Limited)	Hong Kong	**100%**	100%	HK$4,000,000	Import and export trading, logistics, technology import, and investment holding
嘉興司諾投資有限公司 (Jiaxing Sinoone Investments Co., Ltd.)*	the PRC as a wholly-owned foreign investment enterprise ("WOFE")	**100%**	100%	US$316,620,000	Investment holding

48. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of Incorporation/ registration/operations	Attributable equity interest of the Group 2019	2018	Issued capital/ registered capital	Principal activities
寧波信泰機械有限公司 (Ningbo Shintai Machines Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$27,340,000	Design, manufacture, development and sales of automobile body parts
天津信泰汽車零部件有限公司 (Tianjin Shintai Automotive Parts Co., Ltd.)*	the PRC as a foreign equity joint venture enterprise	**95.7%**	95.7%	US$11,550,000	Manufacture and sales of automobile body parts
廣州敏瑞汽車零部件有限公司 (Guangzhou Minrui Automobile Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$16,000,000	Manufacture and sales of automobile body parts
嘉興敏惠汽車零部件有限公司 (Jiaxing Minhui Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$161,510,000	Manufacture and sales of automobile body parts
嘉興敏勝汽車零部件有限公司 (Jiaxing Minsheng Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$89,700,000	Manufacture and sales of automobile body parts
展圖(中國)投資有限公司 (Cheerplan (China) Investments Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$598,170,000	Investment holding
Minth North America, Inc.	the USA	**100%**	100%	US$15,940,000	Research and marketing development
嘉興敏實機械有限公司 (Jiaxing Minth Machines Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$100,000,000	Design, manufacture, development and sales of automobile body parts
Minth Japan 株式會社 (Minth Japan Co., Ltd.)	Japan	**100%**	100%	JPY95,000,000	Act as an agent of sales of automobile body parts and purchase of raw materials
Minth Aapico (Thailand) Co., Ltd.	Thailand	**60%**	60%	Thai Baht ("THB") 378,500,000	Design, manufacture, development and sales of automobile body parts
寧波泰甬汽車零部件有限公司 (Ningbo Taiyong Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$32,000,000	Manufacture and sales of automobile body parts
嘉興國威汽車零部件有限公司 (Jiaxing Guowei Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$68,000,000	Design, manufacture, development and sales of automobile body parts
嘉興敏凱汽車零部件有限公司 (Jiaxing Kittel-Minth Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$80,000,000	Design, manufacture, development and sales of automobile body parts
Minth GmbH	Germany	**100%**	100%	EUR500,000	Customer service and market development
廣州敏實汽車零部件有限公司 (Guangzhou Minth Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$30,000,000	Design, manufacture, development and sales of automobile body parts

48. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of Incorporation/ registration/operations	Attributable equity interest of the Group 2019	2018	Issued capital/ registered capital	Principal activities
煙臺和瑞汽車零部件有限公司 (Yantai Herui Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$10,000,000	Design, manufacture, development and sales of automobile body parts
淮安和泰汽車零部件有限公司 (Huaian Hetai Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$20,000,000	Manufacture, development and sales of automobile body parts and battery for electric vehicle
淮安和通汽車零部件有限公司 (Huaian Hetong Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$12,000,000	Manufacture, development and sales of automobile body parts and motor system for electric vehicle
武漢和盛汽車零部件有限公司 (Wuhan Hesheng Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$27,000,000	Design, manufacture, development and sales of automobile body parts
武漢東海敏實汽車零部件有限公司 (Wuhan Tokai Minth Automotive Parts Co., Ltd.)* (Note i)	the PRC as a foreign equity joint venture enterprise	**50%**	50%	US$10,000,000	Design, manufacture, development and sales of automobile body parts
Minth International Macau Commercial Offshore Limited	Macau	**100%**	100%	Macau Pataca 100,000	Import and export trading, logistics, technology import, and investment holding
江蘇和興汽車科技有限公司 (Jiangsu Hexing Automotive Technology Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$80,000,000	Design, manufacture, development and sales of automobile body parts
Minth Automobile Part (Thailand) Co., Ltd.	Thailand	**100%**	100%	THB800,000,000	Manufacture and sales of automobile body parts
Minth Development (Thailand) Co., Ltd.	Thailand	**100%**	100%	THB85,000,000	Manufacture and sales of automobile body parts
北京敏實汽車零部件有限公司 (Beijing Minth Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	RMB65,000,000	Design, manufacture, development and sales of automobile body parts
鄭州敏惠汽車零部件有限公司 (Zhengzhou Minhui Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	RMB90,000,000	Design, manufacture and sales of automobile body parts
天津敏信機械有限公司 (Tianjin Minshin Machines Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$13,210,000	Research and development, design, production and sales of automobile parts and related products
敏實投資有限公司 (Minth Investment Limited)*	the PRC as a WOFE	**100%**	100%	US$349,500,000	Investment holding
清遠敏惠汽車零部件有限公司 (Qingyuan Minhui Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$27,300,000	Manufacture and sales of automobile body parts

48. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of Incorporation/ registration/operations	Attributable equity interest of the Group		Issued capital/ registered capital	Principal activities
		2019	2018		
CST GmbH	Germany	**100%**	100%	EUR250,000	Manufacture and sales of automobile body parts
湖州恩馳汽車有限公司 (Huzhou Enchi Automotive Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	RMB324,350,000	Manufacture of bus and modified car
湖州敏馳汽車有限公司 (Huzhou Minchi Automotive Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$75,000,000	Development of pure electric vehicle, development and sales of new energy automobile body parts
嘉興裕廷房地產開發有限公司 (Jiaxing Yuting Properties Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	RMB80,000,000	Develop and manage of ordinary real estate, property management
Plastic Trim International, Inc.	the USA	**100%**	100%	US$16,700,000	Design, manufacture, development and sales of automobile body parts
寧波敏實汽車電子科技有限公司 (Ningbo Minth Automotive Electronics Technology Co., Ltd.)* (Note iii)	the PRC as a WOFE	**100%**	100%	US$20,000,000	Design, manufacture, import and export of automobile electronic and optical parts
嘉興敏德汽車零部件有限公司 (Jiaxing Dura Minth Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$10,000,000	Design, manufacture, development and sales of automobile body parts
浙江敏泰科技有限公司 (Zhejiang Min Tai Technology Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$40,000,000	Design, manufacture, and sales of automobile body parts
Minth Mexico, S.A. DE C.V.	Mexico	**100%**	100%	US$9,185,424	Design, manufacture, development and sales of automobile body parts
Minth Mexico Coating, S.A. de C.V.	Mexico	**100%**	100%	US$100,000,000	Design, manufacture, import, export and sales of automobile body parts
Minth Tennessee International, LLC	the USA	**100%**	100%	US$3,999,000	Design, manufacture and sales of automotive parts
清遠敏實汽車零部件有限公司 (Qingyuan Minth Automobile Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$20,500,000	Manufacture and sales of automobile body parts
浙江敏盛汽車零部件有限公司 (Zhejiang Minsheng Automotive Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$40,000,000	Manufacture and sales of automobile body parts
寧波敏實汽車零部件技術研發有限公司 (Ningbo Minth Automotive Parts Research & Development Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$26,500,000	Design, manufacture and sales of metal moulds and automobile body parts manufacturing equipment

48. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of Incorporation/ registration/operations	Attributable equity interest of the Group		Issued capital/ registered capital	Principal activities
		2019	2018		
嘉興信元精密模具科技有限公司 (Jiaxing Shinyou Mould Tech Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$39,000,000	Design and manufacture of moulds
敏實汽車技術研發有限公司 (Minth Automotive Technology Research & Development Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$71,500,000	Design, manufacture and sales of metal moulds and automobile body parts manufacturing equipment
浙江信正精密科技有限公司 (Zhejiang Xinzheng Precision Technology Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$25,000,000	Design, manufacture and sales of moulds
浙江敏誠自動化科技有限公司 (Zhejiang Min Cheng Technology Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$10,000,000	Design, manufacture and sales of automation machines, software and production lines
浙江敏實科技有限公司 (Zhejiang Minth Science & Technology Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$10,000,000	Design, manufacture and sales of metal moulds and automobile body parts manufacturing equipment
長春敏實汽車零部件有限公司 (Changchun Minth Automotive Parts Co., Ltd.)* (Note iii)	the PRC as a WOFE	**100%**	100%	US$5,000,000	Manufacture and sales of automobile body parts
精確實業股份有限公司 (United Alloy-Tech Company Limited) (Note ii)	Taiwan	**44.18%**	44.18%	US$10,000,000	Manufacture and sales of automobile body parts, bicycle parts and computer parts
中升興業股份有限公司 (SPTek Limited)	Taiwan	**89.10%**	89.10%	TWD120,000,000	Design and manufacture of automobile body parts
嘉興敏創股權投資有限公司 (Jiaxing Minchuang Equity Investment Co., Ltd.)*	the PRC as a WOFE	**100%**	N/A	RMB20,000,000	Investment holding
嘉興敏實定向股權投資合夥企業（有限合夥）(Jiaxing Minth Equity Investment Partnership Enterprise (Limited Partnership))*	the PRC as a Limited partnership	**59.995%**	N/A	RMB2,000,000,000	Investment holding
廣州東海敏孚汽車零部件有限公司 (Guanzhou Tokai Minth Automotive Parts Co., Ltd,)* (Note iv)	the PRC as a foreign equity joint venture enterprise	**50%**	49.03%	US$8,000,000	Manufacture and sales of automotive parts
嘉興敏信安全玻璃有限責任公司 (Jiaxing Minxin Safety Glass Co., Ltd.)*	the PRC as a WOFE	**100%**	N/A	US$50,000,000	Design and manufacture of automobile glass
寧波敏和金屬貿易有限責任公司 (Ning Bo Minhe Trading Co. Ltd.)*	the PRC as a foreign equity joint venture enterprise	**65%**	N/A	RMB10,000,000	Trade and manufacture of metal products

48. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of Incorporation/ registration/operations	Attributable equity interest of the Group 2019	Attributable equity interest of the Group 2018	Issued capital/ registered capital	Principal activities
瀋陽敏實汽車零部件有限公司 (Shenyang Minth Automotive Parts Co., Ltd)*	the PRC as a WOFE	**100%**	N/A	US$20,000,000	Manufacture and sales of automobile body parts
湖北敏實汽車零部件有限公司 (Hubei Minth Automotive Parts Co., Ltd)*	the PRC as a WOFE	**100%**	N/A	US$20,000,000	Manufacture and sales of automobile body parts
浙江敏能科技有限公司 (Zhejiang Minneng Technology Co. Ltd)*	the PRC as a WOFE	**100%**	N/A	RMB103,000,000	Manufacture and sales of automobile body parts
瀋陽敏能汽車零部件有限公司 (Shenyang Minneng Automotive Parts Co., Ltd)*	the PRC as a WOFE	**100%**	N/A	RMB74,000,000	Manufacture and sales of automobile body parts
湖北敏能汽車零部件有限公司 (Hubei Minneng Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	N/A	RMB500,000,000	Manufacture and sales of automobile body parts
鄭州敏能汽車零部件有限公司 (Zhengzhou Minneng Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	N/A	RMB49,000,000	Manufacture and sales of automobile body parts
嘉興敏華汽車零部件有限公司 (Jiaxing Minhua Automotive Parts Co., Ltd)*	the PRC as a WOFE	**100%**	N/A	RMB845,100,000	Manufacture and sales of automobile body parts
Minth Italy Logistics S.R.L.	Italy	**100%**	N/A	EUR 10,000	Logistics service
Minth Korea Co., Ltd.	Korea	**100%**	N/A	US$84,760	Manufacture and sales of automobile body parts
福州信泰汽車零部件有限公司 (Fuzhou Shintai Automotive Parts Co.,Ltd.)	the PRC as a WOFE	**100%**	100%	US$1,050,000	Manufacture and sales of automobile body parts
重慶長泰汽車零部件有限公司 (Chongqing Changtai Automobile Spare Parts Co., Ltd.)	the PRC as a WOFE	**100%**	100%	US$4,200,000	Manufacture and sales of automobile body parts
廣州敏惠汽車零部件有限公司 (Guangzhou Minhui Automobile Parts Co., Ltd.)	the PRC as a foreign equity joint venture enterprise	**70%**	70%	US$5,350,000	Manufacture and sales of automobile body parts
武漢敏惠汽車零部件有限公司 (Wuhai Minhui Automobile Parts Co., Ltd.)	the PRC as a WOFE	**100%**	100%	US$9,500,000	Manufacture and sales of automobile body parts
上海亞昊汽車產品設計有限公司 (Shanghai Cogen Research and Design Co., Ltd.)	the PRC as a WOFE	**100%**	100%	US$600,000	Design of automobile exterior, interior decorative parts
重慶敏特汽車零部件有限公司 (Chongqing Minte Automobile Spare Parts Co., Ltd.)	the PRC as a WOFE	**100%**	100%	US$5,000,000	Manufacture and sales of automobile body parts

48. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of Incorporation/ registration/operations	Attributable equity interest of the Group 2019	2018	Issued capital/ registered capital	Principal activities
嘉興敏瑞汽車零部件有限公司 (Jiaxing Minrui Automotive Parts Co., Ltd.)	the PRC as a WOFE	**100%**	100%	US$8,000,000	Manufacture of automotive parts
嘉興思途汽車零部件有限公司 (Jiaxing Situ Automotive Parts Co., Ltd.)	the PRC as a WOFE	**100%**	100%	US$8,000,000	Design, manufacture, development and sales of automobile body parts
嘉興和鑫汽車零部件有限公司 (Jiaxing Hexin Automotive Parts Co., Ltd.)	the PRC as a WOFE	**100%**	100%	US$100,000	Design, manufacture and sales of automobile drive
淮安和欣日資工業園管理有限公司 (Huai An Hexin Japanese Industrial Zone Management Co., Ltd.)	the PRC as a WOFE	**100%**	100%	RMB2,000,000	Management consulting
寧波康栢貿易有限公司 (Ningbo Kangbai Trading Co., Ltd.)	the PRC as a WOFE	**100%**	100%	RMB5,000,000	Wholesale of packaging materials, import and export trading
寧波藍聖智能科技有限公司 (Ningbo Lasen Intelligent Co., Ltd.)	the PRC as a WOFE	**100%**	100%	US$7,800,000	Design, development import and export of robot
廣州藍聖智能科技有限公司 (Guangzhou Lasen Intelligent Co., Ltd.)	the PRC as a WOFE	**100%**	100%	RMB16,000,000	Design, development import and export of robot
敏實智能控股有限公司 (Minth Intelligence Holdings Limited)	Hong Kong	**100%**	100%	US$10,000	Investment holding
清遠伊甸園生態農業發展有限公司 (Qingyuan Eden Ecological Agriculture Development Co., Ltd)	the PRC as a WOFE	**100%**	100%	US$3,000,000	Agriculture
Minth Automotive Europe D.O.O	Serbia	**100%**	100%	RSD 100,000	Casting of light metals
Minth Automotive (UK) Company Limited	the United Kingdom	**100%**	100%	GBP 500,000	Manufacture and sales of electrical and electronic equipment
Minth Group US Holding Inc.	the USA	**100%**	100%	Shares: 1,000 no par value	Design, manufacture and sales of automotive parts

* The English names are for identification purposes only.

Note i By virtue of shareholders' agreement, or terms set out in the articles of association of the relevant entities, the Group has control over the entity in which the Group has the right to variable returns from its involvement with the entity and use its power to affect such returns through its majority voting power at meetings of the relevant governing body of the entity.

Note ii In 2018, UATC became a non-wholly-owned subsidiary of the Group. Detail information is set out in note 37.

Note iii In 2018, Ningbo Minth Automotive Electronics Technology Co., Ltd. and Changchun Minth Automotive Parts Co., Ltd. became wholly owned subsidiaries of the Group, as the Group acquired all the non-controlling interests of both companies.

Note iv In 2019, Guangzhou Tokai became a non-wholly-owned subsidiary of the Group. Detail information is set out in note 37.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

49. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2019	2018
	RMB'000	RMB'000
Unlisted investments in subsidiaries	**842,918**	783,339
Derivative financial assets	**478**	—
Bank balances and cash	**128,655**	72,240
Amounts due from subsidiaries	**11,156,519**	11,546,347
Other current assets	**15,299**	14,804
Total assets	**12,143,869**	12,416,730
Amounts due to subsidiaries	**3,184,789**	2,785,304
Borrowings	**2,568,615**	2,587,435
Derivative financial liabilities	**—**	1,305
Other payables	**6,678**	13,614
Total liabilities	**5,760,082**	5,387,658
Net assets	**6,383,787**	7,029,072
Share capital	**115,227**	114,902
Reserves	**6,268,560**	6,914,170
Total equity	**6,383,787**	7,029,072

49. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement in the reserves of the Company is set forth below:

	Share premium and retained profits RMB'000	Special reserve RMB'000	Other reserve RMB'000	Share options reserve RMB'000	Total RMB'000
At 1 January 2018	5,238,961	410,321	10,903	59,520	5,719,705
Total comprehensive income for the year	1,847,065	—	—	—	1,847,065
Recognition of equity-settled share-based payments	—	—	—	73,702	73,702
Dividends recognised as distribution	(794,813)	—	—	—	(794,813)
Exercise of share options	86,862	—	—	(18,351)	68,511
At 31 December 2018	6,378,075	410,321	10,903	114,871	6,914,170
Total comprehensive expense for the year	**(89,705)**	**—**	**—**	**—**	**(89,705)**
Transfer to other reserve for share options forfeited after the vesting date	**—**	**—**	**2,837**	**(2,837)**	**—**
Recognition of equity-settled share-based payments	**—**	**—**	**—**	**63,081**	**63,081**
Dividends recognised as distribution	**(667,384)**	**—**	**—**	**—**	**(667,384)**
Exercise of share options	**61,319**	**—**	**—**	**(12,921)**	**48,398**
At 31 December 2019	**5,682,305**	**410,321**	**13,740**	**162,194**	**6,268,560**

50. SIGNIFICANT EVENT

On 11 April 2014, the Securities and Futures Commission ("SFC") served a petition to the Company and also named as respondents the Company, its wholly-owned subsidiary, Decade (HK) Limited ("Decade") and several of the then executive directors of the Company, in respect of the Group's acquisition of Talentlink Development Limited and Magic Figure Investments Limited ("Talentlink HK" and "Magic Figure") from the nephew and niece of Mr. Chin (the "Acquisition"). The then executive directors named in the petition are Mr. Chin, Mr. Shi Jian Hui and Mr. Zhao.

In summary, the SFC petition alleges that, in connection with the Acquisition approved by shareholders of the Company in 2009, there has been incorrect or misleading disclosure or a failure to disclose information relating to the Acquisition and as a result, there has been misfeasance or other misconduct towards the Company and some or all of its shareholders and that, further, some or all of its shareholders have not been given information that they might reasonably expect or that there has been unfair prejudice to some or all of its shareholders. The SFC petition also alleges that Mr. Chin was the true beneficial owner of Magic Figure and Talentlink HK and that the Acquisition was not genuine and is void or voidable. Details are set out in the SFC petition dated 10 April 2014 (available to the public at the High Court of Hong Kong) and the Company's announcement on 14 April 2014 regarding the legal proceedings.

The first three directions hearings in connection with the SFC petition took place on 9 July 2014, 31 October 2014 and 11 February 2015, respectively. On 27 June 2016, the SFC indicated that it intended to amend its petition in the court proceedings to add further particulars. On 30 August 2016, the SFC was granted leave by the court to amend its petition in the court proceedings to add further particulars. On 30 November 2016, the executive directors/then executive directors filed their respective amended points of defence. On 23 October 2019, a court hearing was held at which a set of settlement proposals agreed between the SFC and the other defendants to the legal proceedings was put before the High Court for its approval. Mr. Chin agreed to pay the Group a compensation of RMB12,000,000 and an interest of RMB8,346,000, which has been settled by the end of 31 December 2019. Mr. Chin and Mr. Zhao have decided to resign as executive Directors and from all directorships in the Company and subsidiaries of the Company with effect from 25 October 2019.

The Directors are of the opinion that the result of the legal proceeding does not have any negative impact to the Group.

51. EVENT AFTER THE REPORTING PERIOD

In the beginning of 2020, because of the outbreak of COVID-19 declared in mainland China and the subsequent quarantine measures and travelling restriction imposed by the PRC government, the Company's manufacturing facilities in China experienced a staggered restart to production following the Lunar New Year holiday.

In March 2020, the COVID-19 has continued to expand throughout Asia, Europe and North America, with many countries and jurisdictions declaring states of emergency and implementing public safety actions in an attempt to contain further spread. The Company has taken commensurate actions outlined by health agencies, as well as complying with country specific mandates. While working closely and diligently with customers, suppliers and other parties, the Company has been able to meet the production requirement and customer demand globally to date.

Given the rapid development worldwide and uncertain situation regarding COVID-19, its potential impacts on the economies of afflicted regions, and the inherent difficulty in predicting the potential impact on the Company's facilities, employees, customers, suppliers and logistics providers, the Board considers it unable to make reasonable estimation on the potential impact of the COVID-19 pandemic at present. Nevertheless, the COVID-19 outbreak is expected to affect the consolidated results of the Group for the first half and full year of 2020. Nonetheless, the Company will continue to monitor the development of the COVID-19 pandemic, its impact on the Company and adopt suitable measures accordingly.