MINTH GROUP LIMITED

敏實集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 425)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 10.3% to approximately RMB12,553.2 million (2017: approximately RMB11,384.5 million).
- Gross profit rose by approximately 4.5% to approximately RMB4,023.0 million (2017: approximately RMB3,849.5 million).
- Profit attributable to owners of the Company decreased by approximately 18.0% to approximately RMB1,660.6 million (2017: approximately RMB2,025.3 million).
- Basic earnings per share decreased to approximately RMB1.451 (2017: approximately RMB1.782).
- Proposed final dividend amounted to HK$0.661 per share (2017: HK$0.850).
- Capital expenditure increased by approximately 4.0% to approximately RMB2,226.6 million (2017: approximately RMB2,140.8 million).
- Consolidated net asset value increased by approximately 8.3% to approximately RMB13,428.7 million (2017: approximately RMB12,398.1 million).

The board (the "Board") of directors (the "Directors") of Minth Group Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 (the "Review Year"), together with the comparative figures for the year ended 31 December 2017 reviewed by the audit committee of the Company ("Audit Committee") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	**2018**	2017
		RMB'000	*RMB'000*
Revenue	3	**12,553,202**	11,384,495
Cost of sales		**(8,530,179)**	(7,535,027)
Gross profit		**4,023,023**	3,849,468
Investment income		**108,881**	88,845
Other income		**179,284**	263,965
Other gains and losses	4	**(87,162)**	146,643
Distribution and selling expenses		**(519,675)**	(480,788)
Administrative expenses		**(941,098)**	(851,590)
Research expenditure		**(590,609)**	(463,682)
Interest expenses		**(137,507)**	(94,915)
Share of (losses) profits of joint ventures		**(6,410)**	2,426
Share of profits of associates		**17,347**	27,924
Profit before tax		**2,046,074**	2,488,296
Income tax expense	5	**(333,534)**	(395,564)
Profit for the year	6	**1,712,540**	2,092,732
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Gain on remeasurement of defined benefit obligation		**3,093**	2,173

	NOTE	**2018**	2017
		RMB'000	*RMB'000*
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**55,154**	51,487
Fair value (loss) gain on:			
available-for-sale investments		**–**	66,615
debt instruments measured at fair value through other comprehensive income		**(19)**	–
Income tax relating to items that may be reclassified subsequently		**–**	(9,992)
Cumulative gain reclassified to profit or loss upon disposal of available-for-sale investments, net of income tax		**–**	(85,580)
Other comprehensive income for the year, net of income tax		**58,228**	24,703
Total comprehensive income for the year		**1,770,768**	2,117,435
Profit for the year attributable to:			
Owners of the Company		**1,660,636**	2,025,254
Non-controlling interests		**51,904**	67,478
		1,712,540	2,092,732
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,714,470**	2,049,162
Non-controlling interests		**56,298**	68,273
		1,770,768	2,117,435
Earnings per share	8		
Basic		**RMB1.451**	RMB1.782
Diluted		**RMB1.440**	RMB1.761

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	NOTES	**2018** **RMB'000**	2017 *RMB'000*
Non-current assets			
Property, plant and equipment		**7,933,121**	6,246,257
Prepaid lease payments		**745,629**	745,002
Goodwill		**97,505**	83,228
Other intangible assets		**63,281**	49,978
Interests in joint ventures		**98,720**	105,768
Interests in associates		**215,062**	355,001
Derivative financial assets		**–**	30,507
Loan receivables		**6,000**	6,021
Deferred tax assets		**149,208**	104,962
Prepayment for acquisition of a subsidiary		**–**	69,195
Prepayment for acquisition of property, plant and equipment		**163,611**	255,826
Contract assets	11	**582,333**	–
Contract costs		**64,981**	–
Plan assets		**1,788**	–
		10,121,239	8,051,745
Current assets			
Prepaid lease payments		**19,352**	18,911
Inventories	9	**1,974,480**	2,077,761
Loan receivables		**2,000**	20,816
Property under development		**15,347**	55,352
Trade and other receivables	10	**4,207,395**	4,017,330
Derivative financial assets		**4,878**	1,202
Debt instruments at fair value through other comprehensive income		**335,864**	–
Pledged bank deposits		**65,663**	16,244
Bank balances and cash		**4,521,870**	3,849,601
		11,146,849	10,057,217

	NOTE	2018 RMB'000	2017 RMB'000
Current liabilities			
Trade and other payables	12	**3,291,632**	2,890,107
Tax liabilities		**136,218**	133,237
Borrowings		**4,091,130**	2,493,574
Contract liabilities		**72,685**	–
Derivative financial liabilities		**1,170**	25,737
		7,592,835	5,542,655
Net current assets		**3,554,014**	4,514,562
Total assets less current liabilities		**13,675,253**	12,566,307
Capital and reserves			
Share capital		**114,902**	114,425
Share premium and reserves		**13,045,512**	11,998,709
Equity attributable to owners of the Company		**13,160,414**	12,113,134
Non-controlling interests		**268,292**	284,971
Total equity		**13,428,706**	12,398,105
Non-current liabilities			
Deferred tax liabilities		**67,405**	48,265
Retirement benefit obligation		**15,471**	15,646
Derivative financial liabilities		**759**	2,879
Other long-term liability		**162,912**	101,412
		246,547	168,202
		13,675,253	12,566,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Hong Kong International Financial Reporting Interpretations Committee ("HK(IFRIC)")-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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.

Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the Group's accounting policies in accordance with new and amendments to HKFRSs, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line item affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) *RMB'000*	HKFRS 15 *RMB'000*	HKFRS 9 *RMB'000*	1 January 2018 (Restated) *RMB'000*
Non-current Assets				
Contract assets	–	420,688	–	420,688
Deferred tax assets	104,962	(13,090)	–	91,872
Current Assets				
Inventories	2,077,761	(332,590)	–	1,745,171
Trade and other receivables	4,017,330	–	(351,176)	3,666,154
Debt instruments at fair value through other comprehensive income ("FVTOCI")	–	–	339,232	339,232
Current Liabilities				
Trade and other payables	2,890,107	(48,386)	–	2,841,721
Contract liabilities	–	48,386	–	48,386
Net current assets	4,514,562	(332,590)	(11,944)	4,170,028
Total assets less current liabilities	12,566,307	75,008	(11,944)	12,629,371
Capital and Reserves				
Share premium and reserves	11,998,709	64,076	(11,944)	12,050,841
Equity attributable to owners of the Company	12,113,134	64,076	(11,944)	12,165,266
Non-controlling interests	284,971	9,186	–	294,157
Total equity	12,398,105	73,262	(11,944)	12,459,423
Non-current liabilities				
Deferred tax liabilities	48,265	1,746	–	50,011

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2021.
4 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.
5 Effective for annual periods beginning on or after 1 January 2020.

3. SEGMENT INFORMATION

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

Segment revenues 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 2018

	The People's Republic of China (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**

For the year ended 31 December 2017

	The PRC *RMB'000*	North America *RMB'000*	Europe *RMB'000*	Asia Pacific *RMB'000*	Consolidated *RMB'000*
Revenue					
External sales	7,002,318	2,304,437	1,443,442	634,298	11,384,495
Segment profit	2,421,816	617,058	600,841	205,438	3,845,153
Investment income					88,845
Other unallocated income, gains and losses					414,923
Unallocated expenses					(1,796,060)
Interest expenses					(94,915)
Share of profits of joint ventures					2,426
Share of profits of associates					27,924
Profit before tax					2,488,296
Income tax expense					(395,564)
Profit for the year					2,092,732

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

4. OTHER GAINS AND LOSSES

	2018	2017
	RMB'000	*RMB'000*
Net foreign exchange loss	**(14,561)**	(36,686)
Fair value changes of derivative financial instruments	**(22,618)**	(36,469)
Fair value changes of other financial assets at fair value through profit and loss ("FVTPL")	**35,109**	39,380
Allowance for trade and other receivables	**(39,709)**	(13,538)
Reversal of allowance for trade and other receivables	**21,212**	9,223
Impairment for property, plant and equipment	**(3,560)**	(15,132)
Loss on disposal of property, plant and equipment	**(10,459)**	(4,638)
Gain on deemed disposal of a subsidiary	**5,814**	103,821
Impairment for investment in an associate	**(58,390)**	–
Cumulative gain reclassified from other comprehensive income upon disposal of available-for-sale investments	**–**	100,682
Total	**(87,162)**	146,643

5. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**392,407**	346,677
Other jurisdictions	**11,309**	18,546
Withholding tax paid	**163**	50,630
	403,879	415,853
Over provision in prior years:		
PRC Enterprise Income Tax	**(30,671)**	(44,538)
Deferred tax:		
Current year (credit) charge	**(39,674)**	24,249
	333,534	395,564

6. PROFIT FOR THE YEAR

	2018	2017
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**620,501**	489,041
Amortisation of other intangible assets	**23,730**	18,162
Release of prepaid lease payments	**19,121**	18,079
	663,352	525,282

7. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2017 Final − HK$0.850		
(2016: final dividend HK$0.680) per share	**794,813**	676,043

At the annual general meeting held on 30 May 2018, a final dividend of HK$0.850 (2017: HK$0.680) per share totalling HK$973,176,000 (equivalent to RMB794,813,000) (2017: HK$773,584,000 (equivalent to RMB676,043,000)) in respect of the year ended 31 December 2017 was approved by the shareholders and subsequently paid to the shareholders of the Company.

A final dividend of HK$0.661 per share totalling HK$758,108,000 (equivalent to RMB664,255,000) for the year ended 31 December 2018 has been proposed by the Directors and is subject to approval by the shareholders in the annual general meeting to be held on 31 May 2019.

8. EARNINGS PER SHARE

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

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**1,660,636**	2,025,254

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,144,813**	1,136,821
Effect of dilutive potential ordinary shares:		
Options	**8,633**	13,310
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,153,446**	1,150,131

9. INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Raw materials	**664,207**	521,509
Work in progress	**775,140**	658,438
Finished goods	**516,604**	414,827
Moulds	**18,529**	482,987
	1,974,480	2,077,761

10. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables		
– associates	**18,205**	13,242
– joint ventures	**12,064**	11,962
– non-controlling shareholders of subsidiaries	**1,400**	474
– other related parties*	**1,773**	–
– third parties	**3,122,044**	2,893,189
Less: Allowance for credit losses	**(37,951)**	(22,037)
	3,117,535	2,896,830
Bill receivables	**–**	345,132
Other receivables	**200,861**	114,721
Less: Allowance for credit losses	**(6,350)**	(5,045)
	194,511	109,676
	3,312,046	3,351,638
Prepayments	**475,569**	422,510
Prepaid expense	**25,881**	13,590
Value-added tax recoverable	**229,723**	150,729
Insurance recoverables for loss of property, plant and equipment	**46,495**	–
Dividend receivable from an associate	**96,140**	–
Interest receivable	**21,541**	60,101
Refundable guarantee deposits	**–**	18,762
Total trade and other receivables	**4,207,395**	4,017,330

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

The Group normally grants a credit period of 60 days to 90 days (2017: 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:

	2018	2017
	RMB'000	*RMB'000*
Age		
0 to 90 days	**2,880,046**	2,793,260
91 to 180 days	**166,187**	75,823
181 to 365 days	**53,868**	17,449
1 to 2 years	**10,844**	10,298
Over 2 years	**6,590**	–
	3,117,535	2,896,830

As at 31 December 2018, total bills received amounting to approximately RMB335,864,000 are held by the Group for settlement of trade receivables, and are measured at FVTOCI. All bills received by the Group are with a maturity period of less than 6 months.

11. CONTRACT ASSETS

	2018
	RMB'000
Moulds development − Non-current	**582,333**

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

12. TRADE AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables		
– associates	**71,662**	45,686
– joint ventures	**7,252**	8,792
– non-controlling shareholders of subsidiaries	**7,876**	77
– other related parties*	**62,919**	–
– third parties	**1,904,624**	1,672,620
	2,054,333	1,727,175
Bill payables	**201,906**	77,440
Other payables		
– associates	**173**	–
– joint ventures	**27**	354
– non-controlling shareholders of subsidiaries	**21,648**	32,346
– other related parties*	**877**	–
	22,725	32,700
	2,278,964	1,837,315
Payroll and welfare payables	**383,796**	390,443
Advance from customers	**–**	48,386
Consideration payable of acquisition of property, plant and equipment	**213,746**	227,740
Technology support services fees payable	**4,808**	1,885
Freight and utilities payable	**88,978**	83,965
Value-added tax payable	**36,740**	41,301
Interest payable	**7,436**	8,561
Rental payable	**6,534**	1,475
Deposits received	**6,173**	5,576
Others	**264,457**	243,460
Total trade and other payables	**3,291,632**	2,890,107

* 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 (2017: 30 days to 90 days).

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

	2018	2017
	RMB'000	*RMB'000*
Age		
0 to 90 days	**1,804,626**	1,574,618
91 to 180 days	**122,441**	110,775
181 to 365 days	**59,439**	29,655
1 to 2 years	**59,678**	9,683
Over 2 years	**8,149**	2,444
	2,054,333	1,727,175

Bill payables held by the Group as at 31 December 2018 will mature within 8 months (2017: within 6 months).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the Review Year, the production and sales of passenger vehicles in China were lower than the market expectation at the beginning of the year, which were approximately 23,529,000 units and approximately 23,710,000 units respectively, representing a year-on-year decrease of approximately 5.2% and approximately 4.1% respectively. Despite negative growth for the first time in 28 years, the automobile market in China continued to rank first in the world for the tenth consecutive year. During the Review Year, in terms of market segment, sales of various models all recorded a year-on-year decrease, among which the SUV market experienced negative growth for the first time, with a decrease of approximately 2.5% in sales. In particular, the sales of compact SUVs declined significantly due to waning consumer enthusiasm. Sales of sedans decreased by approximately 2.7% as compared to the same period last year, while sales of MPVs continued to decrease significantly by approximately 16.2% on a year-on-year basis. During the Review Year, after recording a growth for three consecutive years, sales of Chinese local brands amounted to approximately 9,980,000 units, representing a decrease of approximately 1.8 percentage points in market share, or a year-on-year decrease of approximately 8%. Among Chinese local brands, sales of sedans maintained a growth momentum, while sales of SUVs declined. Meanwhile, JV brands became polarized, where sales of Japanese, Korean and German OEMs maintained growth, especially with the Japanese OEMs leading the growth against the decreasing trajectory, while sales of American and French OEMs declined significantly. During the Review Year, sales of luxury vehicles recorded a significant increase. Meanwhile, sales of new energy vehicles ("NEVs") in China continued its accelerating growth with a sales volume of approximately 1,053,000 units, representing a year-on-year growth of approximately 82.0%. This accounted for approximately 4.4% of the total sales of passenger vehicles in the Chinese market, ranking first in the world for the fourth consecutive year.

During the Review Year, sales of light vehicles in the US market increased by approximately 0.3% to approximately 17.274 million units, with consumption trend continuing to shift from sedans to SUVs and light trucks. GM and Ford recorded a decline in their market shares, and three major American brands reported comparatively high inventory levels in the US market. As a result, automobile manufacturers implemented business restructuring plans in response to the current poor performance and development demands. GM and Ford announced that they downsized through laying off and closing some production facilities to streamline their respective vehicle models and production volumes, while Fiat Chrysler Automobiles announced the restructuring of the Turin production facility in Italy to deal with its financial crisis and transformation. During the Review Year, sales of passenger vehicles in the European Union increased slightly by approximately 0.1% year-on-year to approximately 15,159,000 units, with a relatively stable growth in the first half of the year, while decreased significantly in the second half of the year following the introduction of the Worldwide Harmonized Light

Vehicles Test Procedure ("WLTP"). During the Review Year, Russia, Thailand, Brazil and India all witnessed favourable growth in sales of automobiles, among which, sales of light vehicles in Russia and Thailand increased by approximately 12.8% and approximately 19.2% year-on-year to approximately 1,800,000 units and approximately 1,039,000 units respectively. Meanwhile, the sales of passenger vehicles in Brazil and India went up by approximately 13.1% and approximately 5.1% year-on-year to approximately 2,100,000 units and approximately 3,395,000 units respectively. Conversely, sales of light vehicles in the Mexican market decreased by approximately 7.1% year-on-year to approximately 1,422,000 units, representing a sales decline for the 19th consecutive month.

COMPANY OVERVIEW

The Group is primarily engaged in the design, manufacture and sales of trims, decorative parts, body structural parts, roof racks and other related auto parts. Having its manufacturing bases in China, the US, Mexico, Thailand and Germany, together with its production plants under planning and construction in the UK and Serbia and its technical centers located in China, Germany, North America and Japan, the Group is able to provide services to the major automotive markets around the world and meet the growing demand of its customers.

During the Review Year, to further promote its global product strategy and layout, achieve technological leadership and build the core competitiveness of its products globally, and advance its sustainable development, the Group has carried out restructuring by establishing four major business units of plastic decorative parts, aluminum parts, metal parts and trims to form a matrix structure together with its current regional organizations to enhance the operational efficiency of the organization and safeguard the long-term development of the Group. Meanwhile, the Group was fully committed to strengthening the promotion of new products, new technologies and new materials among its customers. The research and development ("R&D") and business teams of the Group joined forces to exchange ideas with its customers on technical solutions to promote the market development of new products, including aluminum door frames, battery packs, emblems for adaptive cruise control system ("ACC"), active grille shutters, and plastic tailgates, with an aim to guarantee the sustainable growth of the Group's revenue. To expand customer coverage and enhance product penetration, the Group continued to optimize the cost and quality competitiveness of its traditional products by applying advanced manufacturing technologies, upgrading its existing production methods and optimizing its processing techniques.

During the Review Year, by integrating the management system and requirements of the World Class Manufacturing, the Group upgraded Minth Lean Operation System to Minth Operation Excellence System ("MOS"), and promoted its formation and implementation. MOS focuses on anti-waste, full participation, standardization and methodology, and rationally applies the technology pillars and management pillars to promote the implementation of five major projects including asset light strategy, equipment maintenance management, inventory reduction, better personnel efficiency and quality improvement. Following the joint participation of all employees, the Group reasonably controlled investments in fixed assets, lowered the inventory level, improved quality and personnel efficiency, and built an intelligent equipment maintenance system, with a view to improving the Group's capital turnover ratio, extending equipment lifespan, enhancing product competitiveness and maximizing benefits. By advancing its organization with the top-down and bottom-up approaches, the Group proceeded with rapid promotion and replication and strengthen communications with benchmark enterprises in the industry such as Mercedes-Benz, BMW and GM to constantly study and learn from their strengths, which were then transformed into the standards suitable for the Group.

In addition, the Group has formulated the planning of future factory, which has already been initiated in Qingyuan and Jiaxing. Upon comprehensive consideration, characterized with intelligent, flexible and digital applications, and aimed at zero emissions and zero accidents, the Group expects to promote comprehensive enhancement in terms of logistics, workshops, layout, production technology, production management and safety and environmental protection through the planning of future factory, which is committed to building the Group as a benchmark in advanced manufacturing and ensuring the leading position of the Group in its overall operational management over the next few years.

During the Review Year, based on the occupational health, safety and environmental management system, the Group continued to improve the performance of environment, health and safety management by ensuring the discharge of waste water, waste gas and noise is up to the standards, complying with the disposal requirements for hazardous wastes, and carrying out a series of energy-saving and emission-reduction projects to control carbon emissions. In addition, the Group encouraged the use of environmentally-friendly materials, and adopted the water recovery technology for production lines to reduce water consumption. Furthermore, the Group improved the sewage treatment process to effectively lower down the amount of sludge produced and the emission of pollutants in the production process at the source. These initiatives are all aimed at building "clean factories and green factories".

During the Review Year, a fire broke out in one of the Group's production facilities located in Jiaxing City, Zhejiang Province which is operated by the Company's wholly-owned subsidiary Jiaxing Minhui Automotive Parts Co., Ltd. (嘉興敏惠汽車零部件有限公司). There were no injuries or casualties in the accident, and pollutant emissions were quickly and effectively controlled and treated. The Group continued to step up efforts to investigate and rectify potential safety hazards at its production facilities, and implemented on-site visualization of safety management system, which were made visible to employees and external visitors. The Group's improved workplace hazard analysis allowed its employees to identify the hazards of their posts, understand the control and emergency measures, and enhance their awareness of and ability to avoid accidents. The Group strengthened the management of external construction contractors by implementing the approval procedures of danger-prone operations and improving the safety training of external personnel to achieve effective management of the "external" hazards. Furthermore, the Group provided occupational health training for its employees who are exposed to occupational hazards, performed the testing of occupational hazard factors, and further completed the occupational health records of its employees so that they are placed in a "safe and healthy" workplace.

During the Review Year, the Group continued to focus on its development strategy and remained committed to improving the construction and implementation level of an overall risk-oriented internal control system in order to effectively control potential risks, with an emphasis on improving the system and ability to prevent and combat bribery. During the Review Year, the Group further combed the adequacy and effectiveness of policies and procedures, timely revised the guidelines on project risk management, project transition management, supplier risk management, etc., continuously improved the risk control level and reasonably ensured that potential risks were controlled within tolerance. While ensuring that sufficient resources are invested to strengthen the internal audit function, the Group also improved the internal audit organizational structure, revised relevant internal audit policies and procedures and improved the efficiency of internal audit. Besides these, the Group continuously enhanced and supervised the effectiveness of overall risk management of various functional headquarters and operating units, integrated risk management into the Group's daily operations and core value chain among which the Group especially made continuous progress in areas such as procurement and supplier management, anti-fraud and compliance management, to effectively ensure and promote the Group's sustainable and steady development.

BUSINESS AND OPERATION LAYOUT

During the Review Year, the Group's revenue was approximately RMB12,553,202,000, representing an increase of approximately 10.3% as compared with approximately RMB11,384,495,000 in 2017. During the Review Year, the domestic revenue of the Group was approximately RMB7,640,167,000, representing an increase of approximately 9.1% as compared with approximately RMB7,002,318,000 in 2017, mainly attributable to growth in production and sales of Japanese and German OEMs in the Chinese market. During the Review Year, the Group's overseas revenue was approximately RMB4,913,035,000, representing an increase of approximately 12.1% as compared with approximately RMB4,382,177,000 in 2017, mainly due to the business growth of the European OEMs in the overseas markets.

During the Review Year, the Group bucked the trend in its new business intake and steadily improved the global market share of its traditional products. At the same time, the Group also achieved several breakthroughs from scratch in promoting new products. The Group is devoted to pursuing globalization and strives to be a quality supplier to its customers during their global development. During the Review Year, the Group secured customer trust by exchanging ideas more frequently on business and technology with the headquarters of Japanese and Korean OEMs, thus winning more global orders from them. In addition, the Group expanded its business with various new customers in the South Asian market, laying a better foundation for the Group to advance its global business development. By continuing to deepen its cooperation with European OEMs, the Group strove for more opportunities to collaborate on and develop products, such as trims and decorative parts for their global platform vehicle models, and the Group applied and promoted new techniques, such as laser welding and surface treatment, to products of more customers. Due to the years of cooperation with Daimler Group, the Group established a transparent partnership with them based on mutual trust and made outstanding efforts to overcome technological and business challenges. In February 2018, the Group won the global award of "Daimler Supplier Award in Partnership Category", representing a great recognition of the Group's attitude and ability to cooperate with customers on global businesses. In the meantime, the Group also strengthened efforts to expand its business in Chinese local brands and NEV OEMs, continued to innovate, research and develop new products to help the development of NEVs worldwide, and endeavoured to facilitate China's power to go global. During the Review Year, the Group achieved breakthroughs from scratch for the new business intake in terms of multiple new products, such as aluminum door frame and aluminum battery pack innovatively developed based on aluminum products, ACC cover and emblem which could facilitate automotive intelligence, and newly designed grilles which complies with the future automobile development concepts. These business intakes underscore customers' recognition for the Group's innovative R&D, and also encourage the Group to continue to do more exploration and research on existing products in combination with industry trends. Therefore, the Group will continue its innovation in developing aesthetic, lightweight, intelligent and electrified products. The Group experienced smooth development of aluminium battery packs and was well prepared for mass production.

In terms of global layout, during the Review Year, the Group planned and built the production base for aluminum products in Serbia, and also planned and built production lines for aluminum door frame and battery pack in various locations in Britain, the US and China, in order to meet the local supply requirements of its global customers, and to further improve its global competitiveness and global footprint of its aluminum products. In addition, the Group continued its visionary planning for the production layout of major production facilities, and expanded and optimized the capacity of its major plants located in China, the US, Mexico, Thailand and Germany to facilitate the development and mass production of products for its new business intake, thus catering better to the needs of its global customers in product development and mass production.

In terms of operational management, during the Review Year, the Group's production facilities in China and Mexico received recognition from its customers for their outstanding performance in product quality, technologies, environmental protection, after sales services and other aspects, and won many outstanding awards as a supplier. As for operational management enhancement, the Group focused on improving the profitability of its overseas production facilities by dispatching professional technical and managerial personnel there. During the Review Year, the Group carried out multiple initiatives to improve and optimize the aluminum anodizing line, process and technology, safety and environmental protection, overall management capabilities and talent cultivation in its Mexican plants. This improved the product quality and productivity, and ensured the smooth mass production in respect of multiple projects there for customers including Audi and Daimler, thus fulfilling the requirements of its customers in development, delivery and product quality and the Group's self-development needs. During the Review Year, the Group witnessed steady improvement in overall operational management of its overseas production facilities.

During the Review Year, despite the grim industrial conditions and various uncertainties from the Sino-US trade friction, the Group was able to minimize the negative impacts thanks to its sound global layout and its continuous optimization, as well as quick response and positive countermeasures, thus winning the recognition from its customers. At the same time, to meet the needs of global business development, the Group optimized and streamlined its product planning and production capacity to balance the capacity of the production bases globally and to mitigate the impact of tariffs.

During the Review Year, a subsidiary of the Group set up wholly-owned subsidiaries in the UK and Serbia, respectively, to mainly engage in R&D, production and sales of auto parts and moulds. Another subsidiary of the Group established joint enterprises with three enterprise partners in the PRC with total registered capital of RMB70 million. The three joint enterprises would be held as to 51%, 90% and 49% respectively by this subsidiary of the Group, which also established a wholly owned subsidiary in the PRC with the registered capital of RMB10 million. Besides, another subsidiary of the Group established a wholly-owned subsidiary in the PRC with the registered capital of USD10 million.

Research and Development

During the Review Year, based on continuous promotion of traditional products, the Group devoted itself to the R&D of new derivative products and innovative products. The outcome of transformation from development to independent R&D have gradually emerged. New products such as aluminum door frames, battery packs, ACC emblems, active grille shutters and plastic tailgates have been developed.

During the Review Year, the Group increased investments in innovation and R&D by setting up global innovative research teams in Germany, Japan and the US. Through the integration of advanced technological resources globally, the Group continuously achieved new breakthroughs in lightweight products, intelligent applications and other fields, leading the market with innovative products, as well as building the core competitiveness of products with advanced production process and technologies. In terms of innovative products, the Group successfully developed a number of products and won recognition and orders from multiple customers, including lightweight products (such as battery packs and aluminum door frames) and intelligent products (such as smart automotive front faces, active grille shutters and grilles with charging ports). In addition, the Group made significant progress in the concurrent design of ACC emblem. In terms of innovative technology, successfully developed roof racks which used water-assist injection molding technology had outstanding advantages in function, structure, manufacturing process, cost and other aspects, and won global orders from Hyundai. The Group made major breakthroughs in processing techniques of laser welded door frames, and won global orders from customers such as GM, GAC Motor and Nissan, thus maintaining its leadership in the industry. The Group had always dedicated itself to backing up the upgrading of the automotive industry through continuous technological innovation. Facing the growing demand for concurrent design from customers all over the world, the Group continuously integrated global design resources and advanced technologies at home and abroad. Concurrent design capability of the Group has been recognized by the industry and awarded the "Pioneer of Global Concurrent Development" by China Automotive Technology and Research Center. The Group has provided strong technical support and services to global OEMs and has become their preferred design supplier. During the Review Year, by tapping into its current technical achievements, the Group established an extensive layout in the field of lightweight products to provide strong support for more launch of innovative products. The Group established a joint laboratory with Shanghai Jiao Tong University in terms of lightweight materials, products and processes, as well as laboratories with many world-class equipment suppliers in production technology so as to achieve efficient technological innovation by fully capitalizing on the advantages of internal and external resources. During the Review Year, the Group achieved outstanding achievements in the integration of industrialization and informatization by achieving a unified and globally shared product data management system, which effectively directed the development benchmark. By integrating the Group's controlled data exchange system, a more secure data exchange and sharing mechanism was established and a data exchange environment was built and improved for customers' concurrent design requirements to secure and consolidate the trust of customers.

In addition, the Group continuously optimized its R&D organization structure by introducing technical experts, training and recruiting talents with globalized vision, core technical talents and management teams, strengthening technological research, promoting market leadership through technological innovation, and deepening innovative research on new products, new materials and new processes. These initiatives of optimization helped the Group continue with new product offerings. During the Review Year, the Group further strengthened its protection of R&D achievements. The initiatives of intellectual property rights for key projects of the Group have been gradually carried out in the world, and the overseas intellectual property rights system has been gradually improved, thus providing a strong technical shield to the Group's business expansion. Recognizing the importance of intellectual property rights, the Group analyzes through patent retrieval at the outset of R&D, and pays attention to safeguarding R&D achievements at all stages. During the Review Year, 223 patent applications were filed for approval, and 185 patents were authorized, among which 34 were invention patents. The cumulative number of filed patent applications has exceeded 2,000. The Group's R&D Center has newly emerged as a national advantageous enterprise of intellectual property rights. The Group's major subsidiaries in Ningbo have joined the China Intellectual Property Protection Center, which has played a positive role in promoting the Group's improvement in the layout of R&D patents and the development of an intellectual property protection and defense system. While continuously expanding its global business, the Group has gradually expanded the distribution of intellectual property rights of key projects around the world. As several key projects have been authorized in turn in the US, Japan, Russia and other countries, the Group has begun to internationalize its portfolio of intellectual property rights.

FINANCIAL REVIEW

RESULTS

During the Review Year, the Group's revenue was approximately RMB12,553,202,000, representing an increase of approximately 10.3% from approximately RMB11,384,495,000 in 2017. It was mainly driven by the growth of production and sales volume of Japanese and German OEMs in the Chinese market, and the business boost of European customers in overseas markets.

During the Review Year, the profit attributable to owners of the Company was approximately RMB1,660,636,000, representing a decrease of approximately 18.0% from approximately RMB2,025,254,000 in 2017. It was mainly attributable to the decrease in other gains and losses and other income of the Group.

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, which were mainly supplied to the factories of the major global OEMs.

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

	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Customer category				
The PRC	**7,640,167**	**60.9**	7,002,318	61.5
North America	**2,376,580**	**18.9**	2,304,437	20.2
Europe	**1,890,297**	**15.1**	1,443,442	12.7
Asia Pacific	**646,158**	**5.1**	634,298	5.6
Total	**12,553,202**	**100.0**	11,384,495	100.0

Revenue from Overseas Markets

During the Review Year, the Group's revenue from overseas markets amounted to approximately RMB4,913,035,000, representing an increase of approximately 12.1% from approximately RMB4,382,177,000 in 2017. It accounted for approximately 39.1% of the total revenue of the Group in the Review Year, representing an increase when compared to approximately 38.5% in 2017.

Gross Profit

During the Review Year, the Group's gross profit was approximately RMB4,023,023,000, representing a growth of approximately 4.5% from approximately RMB3,849,468,000 in 2017. The gross profit margin was approximately 32.0% in the Review Year, representing a decrease of approximately 1.8% from approximately 33.8% in 2017. Such decrease was mainly due to the pressures of ASP decline of products for old models and price hike of raw materials faced by the Group during the Review Year. To address these, the Group continued enhancing its efficiency of both production and management by adopting measures such as lean manufacturing and improvement of production layout, while proactively optimizing product mix, 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 RMB108,881,000, representing an increase of approximately RMB20,036,000 from approximately RMB88,845,000 in 2017. It was mainly due to an increase in the interest income of the Group.

Other Income

During the Review Year, the other income of the Group amounted to approximately RMB179,284,000, representing a decrease of approximately RMB84,681,000 from approximately RMB263,965,000 in 2017. It was mainly attributable to a decrease in revenue from the delivery of a real estate development project mainly for the Group's employee family housing since such delivery was basically completed in 2017, as well as a decrease in government subsidies during the Review Year.

Other Gains and Losses

During the Review Year, the Group's other gains and losses amounted to a net loss of approximately RMB87,162,000, representing a decrease of approximately RMB233,805,000 as compared to the net gain of approximately RMB146,643,000 in 2017. It was mainly attributable to gains from disposal of available-for-sale investments, and gains from a former subsidiary's becoming an associate, namely Jiangsu Min'an Electric Cars Co., Ltd.* (江蘇敏安電動汽車有限公司) ("Jiangsu Min'an") in 2017, while there were no such gains recorded during the Review Year, but provision for impairment for equity investment in an associate made during the Review Year.

Distribution and Selling Expenses

During the Review Year, the Group's distribution and selling expenses were approximately RMB519,675,000, representing an increase of approximately RMB38,887,000 from approximately RMB480,788,000 in 2017. It accounted for approximately 4.1% of the Group's revenue, representing a decrease of approximately 0.1% from approximately 4.2% in 2017. It was mainly attributable to the stringent control of the distribution and selling expenses by the Group despite its revenue growth, so that the proportion of such expenses to revenue decreased.

Administrative Expenses

During the Review Year, the administrative expenses of the Group amounted to approximately RMB941,098,000, representing an increase of approximately RMB89,508,000 from approximately RMB851,590,000 in 2017. It accounted for approximately 7.5% of the revenue of the Group, remaining the same as approximately 7.5% in 2017.

Research Expenditure

During the Review Year, the research expenditure of the Group amounted to approximately RMB590,609,000, representing an increase of approximately RMB126,927,000 from approximately RMB463,682,000 in 2017. It accounted for approximately 4.7% of revenue of the Group, representing an increase of approximately 0.6% from approximately 4.1% in 2017. It was mainly attributable to an increase in labor costs arising from the Group's recruitment of technicians, cultivation and reservation of global talents for its continuous improvement in the structure of R&D team to maintain its market competitiveness and sustainable development, as well as continuously increasing investments in R&D for deepening its innovative research on new products, new materials and new processes.

Share of (Losses) Profits of Joint Ventures

During the Review Year, the Group's share of (losses) profits of joint ventures recorded a net loss of approximately RMB6,410,000, representing a decrease of approximately RMB8,836,000 as compared to a net gain of approximately RMB2,426,000 in 2017, which was mainly attributable to a decrease in profit from a joint venture, as well as an increase in loss from a joint venture due to the fact that the R&D, preparation and construction activities were already initiated while no income was recorded during the Review Year.

Share of Profits of Associates

During the Review Year, the Group's share of profits of associates was approximately RMB17,347,000, representing a decrease of approximately RMB10,577,000 from approximately RMB27,924,000 in 2017. It was mainly attributable to a decrease in profit generated from two associates as well as an increase in loss incurred by an associate during the Review Year.

Income Tax Expense

During the Review Year, the Group's income tax expense was approximately RMB333,534,000, representing a decrease of approximately RMB62,030,000 from approximately RMB395,564,000 in 2017.

During the Review Year, the effective tax rate was approximately 16.3%, representing an increase of approximately 0.4% from approximately 15.9% in 2017.

Profits Attributable to Non-controlling Interests

During the Review Year, the Group's profits attributable to non-controlling interests were approximately RMB51,904,000, representing a decrease of approximately RMB15,574,000 from approximately RMB67,478,000 in 2017. It was mainly attributable to the acquisition of minority interest in a non-wholly owned subsidiary by the Group and the loss incurred by a newly acquired non-wholly owned subsidiary during the Review Year.

Liquidity and Financial Resources

As of 31 December 2018, the Group's total bank balances and cash amounted to approximately RMB4,521,870,000, representing an increase of approximately RMB672,269,000 compared to approximately RMB3,849,601,000 as of 31 December 2017. As of 31 December 2018, the Group's low-cost borrowings amounted to approximately RMB4,091,130,000, among which the equivalent of approximately RMB1,845,808,000, approximately RMB1,489,000,000, approximately RMB487,609,000, approximately RMB175,240,000 and approximately RMB93,473,000, were denominated in US Dollar ("USD"), RMB, Euro ("EUR"), Hong Kong Dollar ("HKD") and Thai Baht ("THB") respectively, representing an increase of approximately RMB1,597,556,000 as compared to approximately RMB2,493,574,000 as of 31 December 2017. It was mainly due to the amount that the Group borrowed after considering the consolidated gains from exchange rates, interest rates and capital.

During the Review Year, the net cash flow from the Group's operating activities was approximately RMB2,040,728,000, indicating a sound cash flow condition.

During the Review Year, the Group's trade receivables turnover days were approximately 83 days, which were the same as approximately 83 days for 2017.

During the Review Year, the Group's trade payables turnover days were approximately 74 days, extending by approximately 10 days from approximately 64 days in 2017, which was mainly attributable to the extended supplier payment cycle due to the Group's active negotiations with the suppliers.

During the Review Year, the Group's inventory turnover days were approximately 76 days, increasing by approximately 7 days from approximately 69 days in 2017, which was mainly attributable to an increase in work in process arising from new projects under development and an increase in inventories reserved for new projects.

The Group's current ratio was approximately 1.5 as of 31 December 2018, decreasing by approximately 0.3 from approximately 1.8 as of 31 December 2017. As of 31 December 2018, the Group's gearing ratio was approximately 20.0% (31 December 2017: approximately 14.3%), 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 2018, 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	**382,399**

INTEREST RATE AND FOREIGN EXCHANGE RISKS

As at 31 December 2018, the balance of bank borrowings of the Group was approximately RMB4,091,130,000, of which RMB860,000,000 was bearing at fixed interest rates, and approximately RMB3,231,130,000 was bearing at floating interest rates. The aforesaid borrowings had no seasonality features. In addition, approximately RMB1,958,434,000 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 RMB1,295,585,000, approximately RMB487,609,000 and approximately RMB175,240,000 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 2018, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB925,645,000 of which approximately RMB753,406,000 was denominated in USD, approximately RMB106,566,000 was denominated in EUR, approximately RMB27,200,000 was denominated in Mexico Peso, approximately RMB20,696,000 was denominated in Japanese Yen, approximately RMB17,719,000 was denominated in HKD and the remainder of approximately RMB58,000 was denominated in other foreign currencies.

As a result of the constant increase of overseas sales and the vigorous fluctuation in currency markets, the management of the Group expressed more concern on the foreign exchange risk and would take the exchange rate expectations of relevant currencies into full consideration when deciding the billing currency for relevant businesses, and also closely monitored the foreign exchange exposure and promptly adjusted the control strategy.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no contingent liabilities (31 December 2017: Nil).

MORTGAGED ASSETS

As of 31 December 2018, the Group had borrowings of RMB150,000,000 and bill payables of approximately RMB201,906,000 due within 8 months, which were secured 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 (31 December 2017: the Group had borrowings of RMB120,000,000 and bill payables of RMB10,013,000 with maturity dates within 3 months, secured by bill receivables with par value of approximately RMB133,083,000. The borrowings are to be settled in RMB).

CAPITAL EXPENDITURE

Capital expenditure includes the acquisition of property, plant and equipment, the increase in construction in progress and the addition of land use rights. During the Review Year, the Group's capital expenditure amounted to approximately RMB2,226,620,000 (2017: approximately RMB2,140,820,000). The increase in capital expenditure was attributable to the Group's continued expansion of production scale and investment in R&D, increased investment in production bases for aluminum products following the development trend of lightweight vehicles, as well as further investments in automatic and flexible production lines during the Review Year. Meanwhile, the Group rationally controlled investments in fixed assets in accordance with the asset-light guidelines.

PLACING AND SUBSCRIPTION

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

MATERIAL ACQUISITIONS AND DISPOSALS

On 27 June 2018, Jiaxing Yuting Properties Co., Ltd. ("Jiaxing Yuting"), an indirect wholly-owned subsidiary of the Company as seller, entered into an equity transfer agreement with Jiaxing Huazhuo Real Estate Co., Ltd. as buyer, to dispose of the entire registered capital of Jiaxing Yuhui Properties Co., Ltd., a company incorporated in the PRC with limited liability and wholly-owned by Jiaxing Yuting as at the date of agreement, at the consideration of approximately RMB46,677,000. Details of the disposal were set out in the Company's announcement dated 27 June 2018.

Save as disclosed above, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the Review Year.

EMPLOYEES

As of 31 December 2018, the Group had a total of 18,391 employees, increased by 2,031 as compared to that as of 31 December 2017. The increase was mainly due to the establishment of new overseas production facilities and a global talent pool, continuous enhancement in R&D capability of new products and an increase in the new business intakes for global platform vehicles. During the Review Year, the Group continued to facilitate team and employee recognition programs through culture consensus camps, so as to enhance team cohesion and stimulate the potential of its employees. In addition, during the strategic deployment for its globalization, the Group had internally improved its international talent pool and cultivated management talents for overseas operations through systematic training programs for overseas talents, and externally expanded its overseas recruitment channels by improving its brand image and exploring the opportunities of overseas school-enterprise partnership, which ensured the talent supply to the Group's global business expansion and sustainable development.

By introducing new technology to enhance the service efficiency and effectiveness of human resources, the Group has initially achieved informatization of human resource and has gradually realized the integration of human resources in global human resource processes. As for managing overseas dispatched personnel, the Group ensured the smooth completion of dispatch tasks by formulating the whole-process training and coaching plan, thus ultimately supporting the realization of the Group's globalization strategy. Based on the layout of new production facilities across the world, the Group carried out strategic staff planning and allocation, and continuously empowered the organization through organizational transformation in terms of product lines, business and project management teams, R&D and functional centres of the Group.

Besides continuously promoting the ideas of overall wellness and its influence, the Group developed online courses on new media platforms, conducted offline physical and mental health training, organized overall wellness workshops, and promoted overall wellness training in its overseas operations and gave play to overall wellness functions. This continued to facilitate the overall development of its employees worldwide. Meanwhile, the Group further enhanced its efforts in meeting the requirements for selecting its key teams in terms of overall wellness, and strived to build sustainable competitiveness of its employees and organizations.

The Group will continue to forge ahead and further enhance its global management capability in 2019, strengthen the construction of global Minth culture by following through the Corporate Culture Blue Book and the global culture consensus, and maximize the potential of its global employees. To further upgrade the organization's ability to serve global customers, the Group will promote and innovate the management of its global organization, develop business units in terms of product lines and build a sharing platform. The Group will further drive the mobility and rotation of its talents globally, and share global training resources by upgrading its international talent training system and succession planning system to underpin the realization of the Group's globalized strategic layout.

SHARE OPTION SCHEME

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

On 10 April 2018, the Board of the Company granted share options ("Share Options") to a group of eligible participants (the "Grantees") to subscribe for a total of 25,000,000 shares of the Company, allowing the Grantees to exercise such Share Options starting from 1 April 2019 to 31 December 2023 (both days inclusive). The price per share payable by the Grantees upon exercising the Share Options was determined pursuant to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and at the time of grant the Directors considered that the grant of such Share Options would not lead to any material adverse impact on the financial conditions of the Group. Further details of the grant of Share Options mentioned above are set out in the Company's announcement dated 10 April 2018.

FUTURE PROSPECTS AND STRATEGIES

During the Review Year, the growth rate of China's economic performance indicators slowed down, and the automobile consumption was affected by multiple factors. On the one hand, consumer confidence was affected by the slowdown in macro-economic growth, tightened credit policies, and the Sino-US trade tension. On the other hand, as the impact to the automobile sales of the advance car purchase triggered by the previous preferential purchase tax policy was almost fully reflected in 2018, and several provinces and cities have indicated that they will advance the implementation of the limits and measurement method for emission from light-duty vehicles (China VI) in 2019 despite such standard originally scheduled to be fully implemented in 2020, the industry has entered the process of structural adjustment and stock renewal, keeping more consumers on the sidelines. Third-party consulting agencies such as IHS Markit and LMC Automotive anticipated that production and sales of vehicles in China were expected to be more than 27 million units in 2019, and the production and sales of passenger vehicles would reach 23 million units to 24 million units, representing a slight decrease as compared with that in 2018.

During the Review Year, government departments successively issued documents such as the intelligent vehicle innovation and development strategy, the administrative measures for the admission of automobile industry and products, and the revised administrative measures for automobile investments, further enhancing the planning design and strategic deployment for the development of the automobile industry during the transformation period. At the same time, the automobile industry began a new round of opening up. The implementation of policies such as the relaxation of foreign ownership restrictions and import tariff reduction are liberalizing the Chinese automobile market, which will help attract foreign automotive companies to increase their distribution in the Chinese market. The 2018 subsidy policy for NEVs jointly issued by the four ministries and commissions, i.e. Ministry of Finance, Ministry of Industry and Information Technology, Ministry of Science and Technology and National Development and Reform Commission, promoted the development of new energy vehicle enterprises and power battery enterprises to a higher technological level. The Intelligent Connected Vehicle Road Test Management Standards has been officially released, providing clear regulations in regard to various aspects related to self-driving tests. The introduction of all policies has promoted the industrial transformation and upgrading, as well as deepening innovation in the Chinese market, indicating an upcoming adjustment period. During the adjustment period, the Chinese automobile enterprises will be facing more pressure from competition and the restructuring pace of the automobile industry will be further accelerated. However, the deepening of automobile market development in China has weakened the advantages of competitive differentiation. Due to the improving consumer taste, more transparency in prices of vehicle platforms, and a noticeable trend of consumption upgrading, luxury brands will significantly outperform low-end brands. However, with the declining prices of SUVs, the competition between SUV models and sedans is expected to continue. In the context of stagnant growth, the gap among OEMs will be widened easily and inferior players may confront the risk of being eliminated. Automotive companies with advantageous models in sedans, SUVs and MPVs will be in a more competitive position to withstand market fluctuations. It is expected that OEMs may trim their product mix or gradually integrate or spin off their internal parts business in order to achieve cost optimization. Parts suppliers will become more centralized and internationalized amid the increasingly intense competition.

During the Review Year, the global vehicle market showed a slight decline, which is expected to maintain its current level in 2019. Among mature markets, the US market witnessed slight growth. However, the uncertainties of the US trade agreements and policies on other countries, coupled with the pressure of the US inflation and the operating pressure of the US automotive companies, are expected to lead to a vehicle sales decline in the US in 2019. The European passenger vehicle market also experienced fluctuations in 2018, with factors such as the implementation of WLTP, Brexit and rising oil price all negatively impacting the market. IHS Markit predicted a downward trend for the passenger vehicle market in Europe in the next few years starting from 2019. Japan's economic growth is likely to slow down, reflecting a weakening external demand, high inventory level and global trade conflicts. The consumption tax to be increased may lead to advance purchase in Japan. Among emerging markets, India may continue to witness a favourable growth, and the vehicle markets in Thailand, Brazil and Russia are expected to continue their recovery trajectory.

Given the development trend of the industry, intelligence and electrification have increasingly characterized vehicles with electronic features, which are expected to evolve into large-scale mobile intelligent terminals for consumers in the future. Therefore, apart from the traditional performance, it is expected that future automotive development will be integrated with the interactive experience of large screens, the trend of flexible modular body and multi-functional space switching, the maturity of self-driving technology, and the low-level applications. The general trend of automotive development and the shortening vehicle model life cycle urgently required component suppliers to be equipped with strong concurrent development capability to ultimately become highly integrated suppliers between component suppliers and OEMs. Component suppliers are required to be capable to confront new market changes and offer more professional product design so as to partner with OEMs on researching and developing products in line with the market trend in a concurrent or even more forward-looking manner. To maintain the comprehensive competitiveness, they shall provide more competitive product design solutions and have agile concurrent development and verification capabilities so that systematic solutions can be provided to automotive companies.

The Group paid more attention to the changes in the general environment of the automobile industry, actively dealt with the severe industrial conditions and the changing international trade environment, and grasped the opportunities arising from global industrial development. The Group will proceed with its strategic layout, in view of related global industrial policies of NEVs and the development trend of lightweight, intelligence and electrification. On the one hand, the Group has continuously developed new products, new technologies and new materials to exploit new business opportunities to safeguard the steady development of the Group in the long run. On the other hand, the Group will further enhance the competitiveness of traditional products and its global market share through cost optimization and quality improvement.

The Group will further improve the global operation layout, comprehensively promote the implementation of MOS and build the capability of continuous self-improvement. The Group will capitalize on the philosophy of World Class Manufacturing to formulate the methods and means of the MOS. In combination with various targeted improvement programs, the Group will further deepen its coordinated cost management by subdividing the challenge targets of fighting against waste into different operation processes and strengthen the enforcement, establishing an improved cost-loss model, and linking it with IT system to ensure the completeness and timeliness of data collection. The in-depth analysis over waste existing in the operation process will provide a strong guarantee for the improvement of the Group's profitability. In addition, the Group will actively encourage communications and appraisals among its various regional production facilities with respect to seven aspects, including management, "environment/quality/safety", cost, human resources, excellent manufacturing, logistics and supply chain according to the new MOS evaluation standards which will further promote the MOS deeply and broadly. Meanwhile, the Group will take the Mexican production facility as an experimental unit for MOS's promotion and application in its overseas operations so as to standardize and integrate global MOS.

The Group will integrate its own advantages with the most advanced technologies and resources in the industry to comprehensively promote the design, planning and construction of future factories with new concepts and high standards, propelling the transformation and upgrading of the Group. Meanwhile, in addition to coordinating the upgrading of existing information platforms, the Group will provide highly integrated and shared services at home and abroad, optimize operation and supply chain management system, improve operational management efficiency, and promote the establishment of a quick response mechanism and intelligent decision-making methods.

The Group will continue to optimize its current organization, innovate organizational models of small-scale production facilities, and streamline the organization and personnel to enhance the overall operation and profitability. Striving to become an industry benchmark, the Group will achieve professional development through business unit organization, and oversee and manage each business unit in terms of cost control, planning of development and production model, fixed asset investment, budget management, integrated platform management of global production facilities and professional personnel training, etc., so as to constantly improve the overall production and operational efficiency of the Group.

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

During the Review Year, the Grantees of the Share Option Scheme exercised 5,708,600 Share Options in accordance with the rules and terms of the Share Option Scheme.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

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

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

MATERIAL LITIGATION AND ARBITRATION

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

REVIEWED BY THE AUDIT COMMITTEE

The Company has established an Audit Committee to review and oversee the financial reporting procedures, internal control system and risk management activities of the Group. The Group's annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee and approved by the Board for publication.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HKD0.661 per share to shareholders whose names appear on the register of members of the Company on Tuesday, 11 June 2019 and the proposed final dividend will be paid on or about Thursday, 20 June 2019. 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 Friday, 31 May 2019.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU ON ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, in respect of the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Tuesday, 28 May 2019, will be eligible to attend and vote at the annual general meeting. The Company's transfer books and register of members will be closed from Tuesday, 28 May 2019 to Friday, 31 May 2019 (both days inclusive) during which no transfer of shares will be registered. In order to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 27 May 2019.

Shareholders whose names appear on the Company's register of members on Tuesday, 11 June 2019, will qualify for the proposed final dividend. The Company's transfer books and register of members will be closed from Thursday, 6 June 2019 to Tuesday, 11 June 2019 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Wednesday, 5 June 2019. The proposed final dividend (the payment of which is subject to the shareholders' approval at the forthcoming annual general meeting) is to be payable on or about Thursday, 20 June 2019 to shareholders whose names appear on the register of members of the Company on Tuesday, 11 June 2019. The shares will trade ex-dividend on Tuesday, 4 June 2019.

APPRECIATION

The Board would like to take this opportunity to thank the shareholders, the management and staff members for their support and dedication.

By Order of the Board
MINTH GROUP LIMITED
Chin Jong Hwa
Chairman

Hong Kong, 20 March 2019

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