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 2017

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 21.1% to approximately RMB11,384.5 million (2016: approximately RMB9,400.0 million).
- Gross profit rose by approximately 18.4% to approximately RMB3,849.5 million (2016: approximately RMB3,250.4 million).
- Profit attributable to owners of the Company increased by approximately 17.8% to approximately RMB2,025.3 million (2016: approximately RMB1,719.1 million).
- Basic earnings per share increased to approximately RMB1.782 (2016: approximately RMB1.536).
- Proposed final dividend amounted to HK$0.850 per share (2016: HK$0.680).
- Capital expenditure increased by approximately 76.1% to approximately RMB2,140.8 million (2016: approximately RMB1,215.6 million).
- Consolidated net asset value increased by approximately 14.2% to approximately RMB12,398.1 million (2016: approximately RMB10,855.7 million).

The board (the "Board") of directors (the "Directors") of Minth Group Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 (the "Review Year"), together with the comparative figures for the year ended 31 December 2016 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 2017

	NOTES	**2017** *RMB'000*	2016 *RMB'000*
Revenue	*3*	**11,384,495**	9,399,992
Cost of sales		**(7,535,027)**	(6,149,547)
Gross profit		**3,849,468**	3,250,445
Investment income		**88,845**	65,234
Other income		**263,965**	124,961
Other gains and losses	*4*	**146,643**	124,330
Distribution and selling expenses		**(480,788)**	(376,568)
Administrative expenses		**(851,590)**	(661,428)
Research expenditure		**(463,682)**	(390,508)
Interest expenses		**(94,915)**	(62,766)
Share of profits of joint ventures		**2,426**	9,332
Share of profits of associates		**27,924**	35,567
Profit before tax		**2,488,296**	2,118,599
Income tax expense	*5*	**(395,564)**	(339,172)
Profit for the year	*6*	**2,092,732**	1,779,427
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
Gain (loss) on remeasurement of defined benefit obligation		**2,173**	(1,258)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**51,487**	(45,886)
Fair value gain (loss) on available-for-sale investments		**66,615**	(5,203)
Income tax relating to items that may be reclassified subsequently		**(9,992)**	780
Cumulative gain reclassified to profit or loss upon disposal of available-for-sale investments, net of income tax		**(85,580)**	–
Other comprehensive income (expense) for the year, net of income tax		**24,703**	(51,567)
Total comprehensive income for the year		**2,117,435**	1,727,860

	NOTE	**2017**	2016
		RMB'000	*RMB'000*
Profit for the year attributable to:			
Owners of the Company		**2,025,254**	1,719,141
Non-controlling interests		**67,478**	60,286
		2,092,732	1,779,427
Total comprehensive income attributable to:			
Owners of the Company		**2,049,162**	1,665,608
Non-controlling interests		**68,273**	62,252
		2,117,435	1,727,860
Earnings per share	*8*		
Basic		**RMB1.782**	RMB1.536
Diluted		**RMB1.761**	RMB1.515

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	**2017** **RMB'000**	2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**6,246,257**	4,956,665
Prepaid lease payments		**745,002**	610,033
Goodwill		**83,228**	83,228
Other intangible assets		**49,978**	42,514
Interests in joint ventures		**105,768**	91,889
Interests in associates		**355,001**	206,435
Derivative financial assets		**30,507**	–
Loans receivable		**6,021**	–
Available-for-sale investments		**–**	91,190
Deferred tax assets		**104,962**	105,124
Prepayment for acquisition of a subsidiary		**69,195**	–
Prepayment for acquisition of property, plant and equipment		**255,826**	–
		8,051,745	6,187,078
Current assets			
Prepaid lease payments		**18,911**	15,350
Inventories	*9*	**2,077,761**	1,569,098
Loans receivable		**20,816**	–
Property under development		**55,352**	341,579
Trade and other receivables	*10*	**4,017,330**	3,438,171
Derivative financial assets		**1,202**	34,443
Pledged bank deposits		**16,244**	525,270
Bank balances and cash		**3,849,601**	2,939,723
		10,057,217	8,863,634
Current liabilities			
Trade and other payables	*11*	**2,890,107**	2,529,110
Tax liabilities		**133,237**	121,411
Borrowings		**2,493,574**	1,445,875
Derivative financial liabilities		**25,737**	6,586
		5,542,655	4,102,982
Net current assets		**4,514,562**	4,760,652
Total assets less current liabilities		**12,566,307**	10,947,730

	2017 *RMB'000*	2016 *RMB'000*
Capital and reserves		
Share capital	**114,425**	113,532
Share premium and reserves	**11,998,709**	10,483,982
Equity attributable to owners of the Company	**12,113,134**	10,597,514
Non-controlling interests	**284,971**	258,192
Total equity	**12,398,105**	10,855,706
Non-current liabilities		
Deferred tax liabilities	**48,265**	71,581
Retirement benefit obligation	**15,646**	20,443
Derivative financial liabilities	**2,879**	–
Other long-term liability	**101,412**	–
	168,202	92,024
	12,566,307	10,947,730

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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, the immediate and ultimate holding 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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time that are mandatorily effective for an accounting period that begins on or after 1 January 2017:

Amendments to Hong Kong Accounting Standard ("HKAS") 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Asset for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Except as described below, the application of the 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.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK (International Financial Reporting Interpretations Committee) ("IFRIC")-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with negative Compensation[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 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKAS 40	Transfers to Investment Property[1]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2019.
[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 2021.

3. SEGMENT INFORMATION

Information reported to the executive directors, 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 segments of the Group.

Segment revenues and results

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

For the year ended 31 December 2017

	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	**7,002,318**	**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**

For the year ended 31 December 2016

	The PRC *RMB'000*	North America *RMB'000*	Europe *RMB'000*	Asia Pacific *RMB'000*	Consolidated *RMB'000*
Revenue					
External sales	5,828,053	2,159,159	829,478	583,302	9,399,992
Segment profit	2,027,838	710,983	297,592	191,522	3,227,935
Investment income					65,234
Other unallocated income, gains and losses					271,801
Unallocated expenses					(1,428,504)
Interest expenses					(62,766)
Share of profits of joint ventures					9,332
Share of profits of associates					35,567
Profit before tax					2,118,599
Income tax expense					(339,172)
Profit for the year					1,779,427

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 for the purposes of resource allocation and performance assessment.

4. OTHER GAINS AND LOSSES

	2017 *RMB'000*	2016 *RMB'000*
Net foreign exchange (loss) gain	**(36,686)**	33,995
Fair value changes of derivative financial instruments	**(36,469)**	83,260
Fair value changes of financial assets designated as financial assets at fair value through profit or loss ("FVTPL")	**39,380**	50,591
Allowance for trade and other receivables	**(13,538)**	(23,017)
Reversal of allowance for trade and other receivables	**9,223**	507
Impairment for property, plant and equipment	**(15,132)**	(18,300)
Impairment for other intangible assets	**–**	(745)
Loss on disposal of property, plant and equipment	**(4,638)**	(18,808)
Gain on disposal of prepaid lease payments	**–**	2,457
Gain on deemed disposal of a subsidiary	**103,821**	–
Impairment for investment on a former joint venture	**–**	(4,221)
Cumulative gain reclassified from equity upon disposal of available-for-sale investments	**100,682**	–
Gain from remeasurement of fair value of previously held joint ventures upon acquisition	**–**	18,611
Total	**146,643**	124,330

5. INCOME TAX EXPENSE

	2017 *RMB'000*	2016 *RMB'000*
Current tax:		
PRC Enterprise Income Tax	**346,677**	338,964
Other jurisdictions	**18,546**	7,705
Withholding tax paid	**50,630**	160
	415,853	346,829
Over provision in prior years:		
PRC Enterprise Income Tax	**(44,538)**	(26,371)
Deferred tax:		
Current year charge	**24,249**	18,714
	395,564	339,172

6. PROFIT FOR THE YEAR

	2017	2016
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation for property, plant and equipment	**489,041**	403,172
Amortisation of other intangible assets	**18,162**	13,077
Release of prepaid lease payments	**18,079**	15,938
	525,282	432,187

7. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2016 Final – HK$0.680 (2015: final dividend HK$0.548) per share	**676,043**	520,452

At the annual general meeting held on 31 May 2017, a final dividend of HK$0.680 (2016: HK$0.548) per share totalling HK$773,584,000 (equivalent to RMB676,043,000) (2016: HK$613,821,000 (equivalent to RMB520,452,000)) in respect of the year ended 31 December 2016 was approved by the shareholders and subsequently paid to the shareholders of the Company.

A final dividend of HK$0.850 per share totalling HK$969,126,000 (equivalent to RMB810,102,000) for the year ended 31 December 2017 has been proposed by the Directors and is subject to approval by the shareholders in the annual general meeting to be held on 30 May 2018.

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:

	2017	2016
	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)	**2,025,254**	1,719,141

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,136,821**	1,119,593
Effect of dilutive potential ordinary shares:		
Options	**13,310**	14,940
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,150,131**	1,134,533

9. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Raw materials	**521,509**	406,167
Work in progress	**658,438**	360,375
Finished goods	**414,827**	409,661
Moulds	**482,987**	392,895
	2,077,761	1,569,098

10. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables		
– associates	**13,242**	46,741
– joint ventures	**11,962**	11,829
– non-controlling shareholders of subsidiaries	**474**	1,133
– third parties	**2,893,189**	2,577,043
Less: Allowance for doubtful debts	**(22,037)**	(17,738)
	2,896,830	2,619,008
Bill receivables	**345,132**	185,052
Other receivables	**114,721**	81,736
Less: Allowance for doubtful debts	**(5,045)**	(5,573)
	109,676	76,163
	3,351,638	2,880,223
Prepayments	**422,510**	363,007
Prepaid expense	**13,590**	12,592
Value-added tax recoverable	**150,729**	136,250
Interest receivable	**60,101**	–
Refundable guarantee deposits	**18,762**	46,099
Total trade and other receivables	**4,017,330**	3,438,171

The Group normally grants a credit period of 60 days to 90 days (2016: 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 doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2017	2016
	RMB'000	*RMB'000*
Age		
0 to 90 days	**2,793,260**	2,539,794
91 to 180 days	**75,823**	59,565
181 to 365 days	**17,449**	13,787
1 to 2 years	**10,298**	5,862
	2,896,830	2,619,008

Bill receivables held by the Group as at 31 December 2017 will mature within 6 months (31 December 2016: within 6 months). As at 31 December 2017 certain bill receivables have been pledged to secure the Group's bank borrowings.

11. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables		
– associates	**45,686**	37,183
– joint ventures	**8,792**	21,829
– non-controlling shareholders of subsidiaries	**77**	405
– third parties	**1,672,620**	1,226,954
	1,727,175	1,286,371
Bill payables	**77,440**	19,447
Other payables		
– associates	**–**	83
– joint ventures	**354**	–
– non-controlling shareholders of subsidiaries	**32,346**	24,052
	32,700	24,135
	1,837,315	1,329,953
Payroll and welfare payables	**390,443**	307,769
Advance from customers	**48,386**	397,565
Consideration payable of acquisition of property, plant and equipment	**227,740**	148,651
Technology support services fees payable	**1,885**	795
Freight and utilities payable	**83,965**	72,646
Value-added tax payable	**41,301**	49,395
Interest payable	**8,561**	8,676
Rental payable	**1,475**	3,752
Deposits received	**5,576**	5,431
Others	**243,460**	204,477
Total trade and other payables	**2,890,107**	2,529,110

The average credit period on purchases of goods is 30 days to 90 days (2016: 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:

	2017	2016
	RMB'000	*RMB'000*
Age		
0 to 90 days	**1,574,618**	1,237,916
91 to 180 days	**110,775**	30,765
181 to 365 days	**29,655**	7,401
1 to 2 years	**9,683**	9,170
Over 2 years	**2,444**	1,119
	1,727,175	1,286,371

Bill payables held by the Group as at 31 December 2017 will mature within 6 months (31 December 2016: within 6 months).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the Review Year, the production and sales of China's passenger vehicles were approximately 24,807,000 units and approximately 24,718,000 units respectively, representing a year-on-year growth of approximately 1.6% and approximately 1.4% respectively. From 2008 to 2016, the Chinese market transitioned from a start-up period to a period of growing popularity. However, the Review Year witnessed a slow growth pace, indicating that the Chinese market is in the era where consumers are more rational in their decision making. During the Review Year, in terms of market segments, continual growth in the market share of SUVs prevailed against sedans, leading to a sales decline of approximately 2.5% of the latter. SUVs are the only model with continuous growth in sales in the segment market, with a year-on-year increase of approximately 13.3%, mainly due to Chinese consumers' growing preference for SUVs. Meanwhile, sales of MPVs decreased significantly by approximately 17.1% year-on-year. During the Review Year, sales of Chinese OEMs recorded growth for three consecutive years to approximately 10,847,000 units, representing a year-on-year increase of approximately 3.0%. In particular, Geely and GAC Motor achieved outstanding performance. Sales of Chinese OEMs accounted for approximately 43.9% of the total sales of passenger vehicles in China, representing an increase of approximately 0.7 percentage point when compared with the same period last year. Among JV brands, sales of Korean and French OEMs were on a rapid decrease trajectory, while sales of other brands all recorded growth with Japanese OEMs being the fastest grower. During the Review Year, with a year-on-year growth of approximately 53.8% and approximately 53.3%, production and sales of new energy vehicles ("NEVs") in China were approximately 794,000 units and approximately 777,000 units respectively, both of which ranked the first for three consecutive years in the global market. Production of NEVs accounted for approximately 2.7% of the total production of automobiles in the Chinese market.

During the Review Year, sales of automobiles in the US market declined by approximately 1.8% to approximately 17,230,000 units, putting an end to its seven-consecutive-year growth. During the Review Year, sales in the European market increased by approximately 3.3% to approximately 15,632,000 units, delivering its best performance since 2007. Such performance was mainly due to consumer confidence, an increase in vehicle purchasing subsidies and brand-new SUVs attracting consumers. Sales of new automobiles in the European market also continued to grow for four consecutive years. During the Review Year, India, Russia, Brazil and Thailand also witnessed relatively high growth in sales of automobiles, despite a decline in sales of new automobiles in the Mexican market.

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 U.S., Mexico, Thailand and Germany 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, the Group continued to build a strong foundation for expanding and developing its traditional products among customers by applying advanced manufacturing techniques and upgrading the production models to boost the competitiveness of its products. Meanwhile, with constant optimization of global production layout and lean production, the Group replicated and promoted its competitive production model at its plants globally, thus constantly improving its production efficiency and customer satisfaction, as well as building its sustainable global competitiveness. During the Review Year, the Group continued to maintain a steady revenue growth and its annual results recorded a new high.

During the Review Year, the Group continued its product expansion and innovative development based on its existing traditional product segments. Following the development trend of lightweight, intelligence and electrification, the Group constantly explored and achieved technological breakthroughs in terms of aluminum door frames, battery packs, ACC (adaptive cruise control system) emblems and grilles with open-and-close mechanism for electric vehicles. In addition, the Group strived to secure opportunities to participate in the research and development ("R&D") of products for its customers by introducing world-leading surface treatment production line as well as establishing a production base specialised in toolings and prototypes. With a full understanding of customers' requirements and effective communications on design concepts, the Group would manifest its competitive strength when securing new projects at a very early stage. Meanwhile, the Group further enhanced its lean production during the Review Year. Under the blueprint of Industry 4.0 and China Manufacturing 2025, the Group fully embraced the development of streamlined culture of Minth by upgrading from lean production to lean operation. During the Review Year, the Group scaled up investments into automatic production lines, flexible production lines, intelligent logistics, informatization management system, and facilitated the practice of China Intelligent Manufacturing, thus effectively enhancing the integration level of control, process flow and standards of its global production bases, as well as laying foundations for transforming some production bases into lights-out factories. During the Review Year, the Group constantly enhanced product quality and production efficiency and reduced operating costs, laying a solid foundation for a steady recovery of its gross profit margin.

During the Review Year, the Group continued to explore external resources and further expanded its cooperation with major customers, suppliers, partners, universities, research institutions, experts and consultants. Furthermore, the strategic cooperation was deepened with outstanding platform suppliers. In addition to transforming the R&D organization, the Group pooled technical experts, cultivated and retained global talents and core technical professionals, deepened research on product and technology innovation to drive technical breakthrough, and also placed more emphasis on the protection of patents for new products and core technologies through establishment of intellectual property protection system in China and abroad.

During the Review Year, the Group continued to put its efforts into environmental protection, occupational health and production safety management. To build a "Beautiful Minth" and achieve long-term sustainability, the Group continued proceeding with energy conservation and emission reduction by formulating strict environmental treatment standards to minimize environmental impacts from the sources of pollutants, which ensures that all pollutants are processed and discharged according to high standards. Meanwhile, each factory was encouraged to apply updated techniques and processes, new equipment and alternative materials. For example, the Group introduced high-temperature direct combustion heat recovery technology for exhaust gas concentration, under which, proper control over the emission of exhaust gases and recycled thermal energy helps exhaust gas emission meet high standards, thus further improving the heat recovery rate. Along with the development of the cutting fluid recycling system, and the promotion of the reclaimed water system and the sludge drying technology, the Group's online sewage reuse system and heat pump energy saving system were both verified and put into operation. As a result, the Group significantly decreased its total sewage and solid waste discharge. During the Review Year, the Group continued to promote active management of environmental and safety issues, standardise work sites, and improve the capability to identify and control polluting and hazardous sources, which aims to eliminate potential risks and enhance the general environmental and safety management within the Group. For the purposes of production safety and occupational health of employees, the Group organized annual health checks for its employees, and arranged regular occupational health lectures and health consulting services.

In addition to focusing on its development strategy and annual operating targets during the Review Year, the Group was committed to constantly improving the development and implementation of the overall risk-oriented internal control system to effectively manage and control potential risks. During the Review Year, the Group further reviewed the adequacy and effectiveness of the policies and procedures, updated the Group's comprehensive risk management measures, and revised the Group's approval authority chart. Furthermore, the Group sorted out the key business procedures for the advanced product quality planning (APQP) phase, and restarted top-level design planning project applied to the system and implemented the data loss prevention (DLP) projects. All of these actions further enhanced the information security and continuously improved risk management and control, thus reasonably ensuring that the potential risk is controlled within tolerance. While ensuring sufficient resources to strengthen internal audit functions, the Group also systematically carried out three lines of defense, constantly promoted and monitored the effectiveness of the comprehensive risk management of each functional department and operating unit, and promoted the incorporation of the risk management into the Group's daily operations and the core value chains. In particular, new progresses have been made in areas such as project management, procurement and supplier management and anti-corruption, effectively safeguarding and promoting the Group's sustainable and steady development.

BUSINESS AND OPERATION LAYOUT

During the Review Year, the Group's revenue was approximately RMB11,384,495,000, representing an increase of approximately 21.1% compared with approximately RMB9,399,992,000 in 2016. During the Review Year, the domestic revenue of the Group was approximately RMB7,002,318,000, representing an increase of approximately 20.1% compared with approximately RMB5,828,053,000 in 2016, mainly attributable to growth in production and sales of Japanese, German and American OEMs in China. During the Review Year, the Group's overseas revenue was approximately RMB4,382,177,000, and grew by approximately 22.7% compared with approximately RMB3,571,939,000 in 2016, mainly due to the business growth of the European OEMs in the overseas markets.

During the Review Year, the Group once again broke the record in its new business intake, further expanded its global market share of mature products, as well as achieved further breakthrough and development of new products. These achievements laid a solid foundation for the Group's growth and innovation in line with the trend of the automobile industry. Striving to be the best chosen partner for facilitating global business expansion of the customers, the Group continued to advance its business relationship with traditional automobile manufacturers, deepen its understanding of changes in customer needs, and identify and explore more new business opportunities. Meanwhile, the Group intensified efforts to expand its businesses among Chinese brands and emerging manufacturers of NEVs, and proactively assisted Chinese OEMs in their overseas business expansion. These combined efforts would help Chinese OEMs extend their influence in the global market. During the Review Year, the Group increased its market share in premier brands and entered into the procurement system of Mercedes-Maybach for the first time. Apart from reinforcing the development of Great Wall Motor in the Chinese brands segment, the Group actively expanded its business among other Chinese OEMs such as Geely, GAC Motor and Changan. As for the development of new products during the Review Year, the Group achieved a relatively outstanding performance by adopting intelligent application, body weight reduction and electrification as its long-term direction for product innovation and R&D. As for intelligent application, the Group developed and promoted new products such as ACC emblems. As for body weight reduction, the Group constantly expanded its new business intake in aluminum products. Simultaneously gauging the development of electrification, the Group proactively and strategically promoted the business development of traditional products in NEV sector, and secured the new businesses of aluminum battery packs from Nissan and Renault, as well as grilles with open-and-close mechanism for electric vehicles for the first time. On the other hand, the Group continued upgrading and refining its traditional techniques and extended its traditional trims to anti-pinch molding for electric tailgate, thus expanding businesses to new customers. The Group is actively deploying resources to expedite the cooperation with its customers in concurrent design of new products such as aluminum door frames and active grille shutters.

During the Review Year, the Group's factories in Jiaxing, Guangzhou, Huai'an, Wuhan and Tianjin received recognition from its customers due to their outstanding performance in product quality, technologies, services and other aspects, and the Group received many awards as well. The Group forged ahead with the optimization of its production layout. Based on its global business development requirements, the Group also improved and realigned its product planning and production capacity, and implemented the scheme of mega sites with centralized and scale production. In addition, the Group mainly optimized mass-produced products to balance production capacities of the Group's manufacturing facilities around the world. During the Review Year, the Group was committed to enhancing the competitive strength of its overseas factories. The Group upgraded the manufacturing techniques of aluminum products and built a large-scale coating production line at its factory in Mexico. In the U.S., the Group further optimized the production capacity of its factory to focus on stainless steel trims and other products. On the other hand, the Group further explored opportunities for chrome plating and door frame businesses in North America and establishment of a new factory in the U.S. During the Review Year, the Group newly established an aluminum extrusion production base focused on components of NEVs in Huzhou, and added and expanded its aluminum production lines in Jiaxing, further optimizing its domestic aluminum production layout based on its Huai'an factory. In line with the Group's vision to continue expanding the capacity of its major factories, the Group also established large-scale coating lines and chrome plating lines in its Wuhan, Guangzhou and Tianjin factories during the Review Year, thus meeting the requirements for its fast-growing global business. During the Review Year, the Group commenced its strategic plan to build production lines of both battery packs and aluminum door frames to expand the Group's scale and enhance the competitiveness of its products.

On 24 March 2017, Cheerplan (China) Investments Co. Ltd.* (展圖(中國)投資有限公司) ("Cheerplan (China)"), an indirect wholly-owned subsidiary of the Group, entered into a joint venture agreement with Yuyao Yongxing Automotive Parts Co., Ltd.* (余姚市永興汽車零部件有限公司) ("Yuyao Yongxing") in relation to the establishment of a joint venture in the PRC to engage in the R&D and manufacture of auto parts and relevant checking fixtures, jigs and moulds. Pursuant to the joint venture agreement, the joint venture was owned as to 30% by Cheerplan (China) and 70% by Yuyao Yongxing with a registered capital of RMB10,000,000, of which, RMB3,000,000 and RMB7,000,000 were injected by Cheerplan (China) and Yuyao Yongxing, respectively. On 24 March 2017, Minth Investment Limited ("Minth Investment"), an indirect wholly-owned subsidiary of the Group, entered into a joint venture agreement with Toyota Body Seiko Co., Ltd. ("Toyota Body Seiko") in relation to the establishment of a joint venture in the PRC to engage in the manufacture, processing and sales of car seats, vehicles for the disabled and related parts. Pursuant to the joint venture agreement, the joint venture was held as to 10% by Minth Investment and 90% by Toyota Body Seiko with a registered capital of RMB45,000,000, of which RMB4,500,000 and RMB40,500,000 were respectively injected by Minth Investment and Toyota Body Seiko. On 26 June 2017, 6 September 2017, 12 October 2017 and 22 December 2017 respectively, each of Minth Investment and Cheerplan (China), both indirect wholly-owned subsidiaries of the Group, established four wholly-owned subsidiaries in Huzhou with a total registered capital of US$65,000,000. These subsidiaries are engaged in the R&D, manufacturing and sales of components, surface treatment, checking fixtures and automation of NEVs.

Research and Development

During the Review Year, the Group further deepened its research on innovative products and technologies. In terms of R&D organization, the Group formed and operated the Institute of Production Technology, the Innovation Research Center and the Design Technology Center to innovate processing techniques, research extended products, and conduct research and verification on innovative products. In terms of technical innovation, the Group made certain progress in metal and plastic materials, the welding and bonding technology, mechanics research, surface treatment and laminating technology, rendering strong support for improving the Group's technological capability. In terms of product innovation, the Group achieved significant breakthroughs in products related to lightweight, intelligence and electrification. The Group carried out R&D on battery packs and aluminum door frames by leveraging on its current production layout and technical capabilities of aluminum products, further improved its production lines for lightweight products. By integrating its current technologies in traditional grilles and emblems, the Group innovated and developed grilles with open-and-close mechanism for electric vehicles and ACC emblems, which achieved structural and functional innovation in traditional products and had been awarded orders from customers. With patent protection in place, these innovations will continue to drive sustainable growth of the Group's revenue. At the same time, the Group will continue to gauge the development trajectory of its products in the future, and explore development paths for new products in the next five to ten years. The Group will roll out more innovative products that are suitable for promotion and cross-selling among global OEMs. In consideration of the increasing concurrent design requirements of global customers, the Group succeeded in entering the concurrent design system of global high-end customers by constantly expanding its product design team, dispatching engineers to the overseas subsidiaries of the Group, consolidating global design resources and advanced technologies in China and abroad, further improving its global R&D network, and enhancing its capabilities in the design of its current products and testing validation. Meanwhile, the Group enhanced communications and exchanges with the R&D institutions of its customers to improve its R&D capabilities in new products. Prototype development has been further improved and the function will be operated independently as a subsidiary, the preparation work of which is undergoing orderly. To upgrade and break the bottleneck of its current production processes, the Group kept improving its core technologies related to equipment, tooling and techniques, and enhanced the operation of laboratories during the Review Year. In terms of production techniques, the Group continuously improved its surface treatment technologies in chrome plating, aluminum anodizing and hard coating, among which, the application of the new anodizing technique had realized mass production and boosted product yield, thus further building the competitiveness of the Group in techniques applied to new products. During the Review Year, the Group also further improved its information management system and streamlined its R&D process, thus facilitating its development in intelligent R&D and manufacturing.

FINANCIAL REVIEW

RESULTS

During the Review Year, the Group's revenue was approximately RMB11,384,495,000, representing an increase of approximately 21.1% from approximately RMB9,399,992,000 in 2016. It was mainly driven by the growth of production and sales volume of Japanese, German and American 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 RMB2,025,254,000, representing an increase of approximately 17.8% from approximately RMB1,719,141,000 in 2016. It was mainly attributable to sustainable and steady growth of revenue, together with the continuous emphasis on control of costs and expenses. 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, 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:

	2017		2016	
	RMB'000	***%***	*RMB'000*	*%*
Customer category				
The PRC	**7,002,318**	**61.5**	5,828,053	62.0
North America	**2,304,437**	**20.2**	2,159,159	23.0
Europe	**1,443,442**	**12.7**	829,478	8.8
Asia Pacific	**634,298**	**5.6**	583,302	6.2
Total	**11,384,495**	**100.0**	9,399,992	100.0

Revenue from Overseas Markets

During the Review Year, the Group's revenue from overseas markets amounted to approximately RMB4,382,177,000, representing an increase of approximately 22.7% from approximately RMB3,571,939,000 in 2016. It accounted for approximately 38.5% of the total revenue of the Group in the Review Year, representing an increase when compared to approximately 38.0% in 2016.

Gross Profit

During the Review Year, the Group's gross profit was approximately RMB3,849,468,000, representing a growth of approximately 18.4% from approximately RMB3,250,445,000 in 2016. The gross profit margin was approximately 33.8% in the Review Year, representing a decrease of approximately 0.8% from approximately 34.6% in 2016. 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. Meanwhile, the Group witnessed an increasing percentage of revenue from certain overseas subsidiaries with a comparatively low gross profit margin during their ramp-up period, which dragged down the Group's gross profit margin. 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 RMB88,845,000, representing an increase of approximately RMB23,611,000 from approximately RMB65,234,000 in 2016. 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 RMB263,965,000, representing an increase of approximately RMB139,004,000 from approximately RMB124,961,000 in 2016. It was mainly attributable to revenue from real estate development projects mainly for the Group's employee family housing and an increase 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 gain of approximately RMB146,643,000, representing an increase of approximately RMB22,313,000 as compared to the net gain of approximately RMB124,330,000 in 2016. It was mainly attributable to gains from disposal of available-for-sale investments, 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"), and changes in the fair value of derivative financial products entered into by the Group to counter the two-way fluctuation in foreign exchanges.

Distribution and Selling Expenses

During the Review Year, the Group's distribution and selling expenses were approximately RMB480,788,000, representing an increase of approximately RMB104,220,000 from approximately RMB376,568,000 in 2016. It accounted for approximately 4.2% of the Group's revenue, representing an increase of approximately 0.2% from approximately 4.0% in 2016. It was mainly attributable to additional expenses which were in line with the Group's revenue growth during the Review Year.

Administrative Expenses

During the Review Year, the administrative expenses of the Group amounted to approximately RMB851,590,000, representing an increase of approximately RMB190,162,000 from approximately RMB661,428,000 in 2016. It accounted for approximately 7.5% of the revenue of the Group, representing an increase of approximately 0.5% from approximately 7.0% in 2016. It was mainly attributable to an increase in labor costs as a result of more headcount recruited to match with the Group's revenue growth and capacity expansion and raised staff salary to maintain its competitiveness.

Research Expenditure

During the Review Year, the research expenditure of the Group amounted to approximately RMB463,682,000, representing an increase of approximately RMB73,174,000 from approximately RMB390,508,000 in 2016. It was mainly attributable to an increase in labor costs arising from the Group's recruitment of high-level R&D personnel to enhance its R&D capabilities in order to maintain its market competitiveness and sustainable growth, as well as its continuous investment in research and development.

Share of Profits of Joint Ventures

During the Review Year, the Group's share of profits of joint ventures was approximately RMB2,426,000, representing a decrease of approximately RMB6,906,000 from approximately RMB9,332,000 in 2016, which was mainly because of losses incurred during the Review Year by two new joint ventures which were set up in the second half of 2016.

Share of Profits of Associates

During the Review Year, the Group's share of profits of associates was approximately RMB27,924,000, representing a decrease of approximately RMB7,643,000 from approximately RMB35,567,000 in 2016. It was mainly attributable to a decrease in profit generated from an associate and losses incurred by two associates during the Review Year.

Income Tax Expense

During the Review Year, the Group's income tax expense was approximately RMB395,564,000, representing an increase of approximately RMB56,392,000 from approximately RMB339,172,000 in 2016.

During the Review Year, the effective tax rate was approximately 15.9%, representing a decrease of approximately 0.1% from approximately 16.0% in 2016.

Profits Attributable to Non-controlling Interests

During the Review Year, the Group's profits attributable to non-controlling interests were approximately RMB67,478,000, representing an increase of approximately RMB7,192,000 from approximately RMB60,286,000 in 2016. It was mainly attributable to an increase in profit generated from two non-wholly owned subsidiaries.

Liquidity and Financial Resources

As of 31 December 2017, the Group's total bank balances and cash amounted to approximately RMB3,849,601,000, representing an increase of approximately RMB909,878,000 compared to approximately RMB2,939,723,000 as of 31 December 2016. As of 31 December 2017, the Group's low-cost borrowings amounted to approximately RMB2,493,574,000, among which the equivalent of approximately RMB823,309,000, approximately RMB769,000,000, approximately RMB430,111,000, approximately RMB373,652,000 and approximately RMB97,502,000, were denominated in US Dollar ("USD"), RMB, Euro ("EUR"), Hong Kong Dollar ("HKD") and Thai Baht ("THB") respectively, representing an increase of approximately RMB1,047,699,000 as compared to approximately RMB1,445,875,000 as of 31 December 2016. 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 RMB1,875,375,000, indicating a sound cash flow condition.

During the Review Year, the Group's trade receivables turnover days were approximately 83 days, increasing by approximately 2 days from approximately 81 days in 2016. It was mainly attributable to an increase in bill receivables balance.

During the Review Year, the Group's trade payables turnover days were approximately 64 days, increasing by approximately 9 days from approximately 55 days in 2016. It was mainly attributable to adjusting the payment methods of suppliers responding to the change of repayment terms of customers and an increase in the balance of trade payables arising from incremental purchases made for new projects under development.

During the Review Year, the Group's inventory turnover days were approximately 69 days, extending by approximately 7 days from approximately 62 days in 2016, which was mainly attributable to an increase in the mould inventories arising from new projects under development and an increase in inventories reserved for new projects.

The Group's current ratio was approximately 1.8 as of 31 December 2017, decreasing by approximately 0.4 from approximately 2.2 as of 31 December 2016. As of 31 December 2017, the Group's gearing ratio was approximately 14.3% (31 December 2016: approximately 9.6%), 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 2017, 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	**581,621**

INTEREST RATE AND FOREIGN EXCHANGE RISKS

As at 31 December 2017, the balance of bank borrowings of the Group was approximately RMB2,493,574,000, of which RMB320,000,000 was bearing at fixed interest rates, and approximately RMB2,173,574,000 was bearing at floating interest rates. The aforesaid borrowings had no seasonality features. In addition, approximately RMB1,256,456,000 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 RMB757,967,000, approximately RMB373,652,000 and approximately RMB124,837,000 were denominated in USD, HKD and EUR 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 2017, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB1,200,793,000 of which approximately RMB1,105,133,000 was denominated in USD, approximately RMB38,952,000 was denominated in EUR, approximately RMB26,275,000 was denominated in HKD, approximately RMB24,051,000 was denominated in JPY, approximately RMB6,276,000 was denominated in Mexico Peso ("MXN") and the remainder of approximately RMB106,000 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 adjusted the control strategy.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no contingent liabilities (31 December 2016: Nil).

MORTGAGED ASSETS

As of 31 December 2017, the Group had borrowings of RMB120,000,000 and bill payables of RMB10,013,000 with maturity dates within three months, secured by bill receivables with par value of approximately RMB133,083,000. The borrowings are to be settled in RMB (31 December 2016: the Group had borrowings of approximately RMB304,000,000 secured by bank deposits of approximately RMB464,000,000. The borrowings are to be settled in RMB). The Group pledged no assets to secure general banking facilities granted to the Group (31 December 2016: the Group pledged freehold lands and buildings with a net book value of approximately RMB16,968,000 to secure general banking facilities granted to the Group).

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 RMB2,140,820,000 (2016: approximately RMB1,215,564,000), which was attributable to the Group's continued expansion of production scale and investment in R&D during the Review Year, as well as increased investment in production bases for aluminum products following the development trend of lightweight vehicles. Meanwhile, the Group made further investments in automatic and flexible production lines to optimize its global production layout and strengthen lean production.

PLACING AND SUBSCRIPTION

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

MATERIAL ACQUISITIONS AND DISPOSALS

On 2 March 2017, Cheerplan (China) Investments Co. Ltd.*, (展圖（中國）投資有限公司) ("Cheerplan (China)"), a wholly-owned subsidiary of the Group, entered into a capital increase agreement with Huai'an Development Holdings Co., Ltd.* (淮安開發控股有限公司) ("Huai'an Development") and Best Treasure (China) Limited ("Best Treasure"), pursuant to which, Huai'an Development and Best Treasure each agreed to inject approximately US$49.7 million (equivalent to approximately HK$385.4 million) to Jiangsu Min'an, respectively. Upon the capital increase, the registered capital of Jiangsu Min'an increased from US$33.0 million (equivalent to approximately HK$255.8 million) to US$130.0 million (equivalent to approximately HK$1,007.5 million). The equity interests of Jiangsu Min'an will be held as to approximately 12.7%, 50% and approximately 37.3% by Cheerplan (China), Huai'an Development and Best Treasure, respectively. Further details are set out in the Company's announcement dated 2 March 2017 and circular dated 27 March 2017 for its extraordinary general meeting.

Save as disclosed above, the Group has no material acquisition or disposal during the Review Year.

EVENTS AFTER THE REPORTING PERIOD

On 8 September 2017, Cheerplan (HK) Limited ("Cheerplan", a wholly-owned subsidiary of the Company) entered into a subscription agreement with United Alloy-Tech Company Limited ("UATC"), pursuant to which UATC has conditionally agreed to issue and Cheerplan has conditionally agreed to subscribe for 55,900,000 shares in UATC at a total consideration of New Taiwan Dollar ("NTD") 313,040,000 (equivalent to approximately HKD81,484,000), representing approximately 44.18% of the total issued share capital of UATC immediately upon completion. As at the date of this results announcement, subscription completed and UATC became an indirect subsidiary of the Company. For further details, please refer to the Company's announcement dated 8 September 2017.

EMPLOYEES

As of 31 December 2017, the Group had a total of 16,360 employees, increased by 1,458 as compared to that as of 30 June 2017. The increase was mainly due to the continued growth in revenue, the enhancement of the Group's R&D capability and an increase in the new business awards for global platform vehicle models. During the Review Year, the Group promoted its core values across the world through a series of value proposition activities in the United States, Germany and Mexico, representing a milestone in the process of the Group's integration of global cultures. The use of SuccessFactors performance management system has delivered the consistency and sustainability in the management of staff performance, succession plan and learning and development in its global operations. By enhancing the human resources management in overseas regions, the Group developed and promoted the local organisational structure and capability of talent and performance management. Meanwhile, the Group intensified the efforts to identify and cultivate high-potential talents and initiated E-learning to promote real-time learning for all employees. In addition, the Group successfully completed the 2018 national campus recruitment program "For A Clearer Future". Based on its employer value proposition, the Group continued promoting the employer brand project to attract talents, laying a solid foundation for maintaining the Group's sustainable global competitiveness.

Based on its core values, the Group practiced the theory of holistic health development. To address various aspects, including personal development, enhancement of family relationship, and community care, Humanities College of Minth Academy proffers various training programs, such as Couple's Retreat and Family Camp for Communication Skills and Character Building. These programs help empower its employees and their families. To continuously offer language learning programs designed for executives and global thinking training programs for key talents, the Group accelerated the development and enhancement of cross-regional allocation of talents and international competence throughout its global operations, enhancing employees' personal competitiveness and their families' competitiveness in the community. Over the course of globalization, the Group not only strengthened its efforts to cultivate international talents for its better talent pool on a global scale, but also carried out employee care initiatives across the world.

In terms of talent acquisition in the future, the Group will continue the development of its employer brand project, innovate its recruitment model and select appropriate talents so as to sustain its momentum for business development. Besides focusing on the rapid development of potential talents, the Group comprehensively intensifies the cultivation and migration of international talents. Furthermore, the Group explores and implements its future organizational governance model and specifically supports expansion of new businesses and enhancement of overseas regional organizations, committed to becoming a benchmark in globalization among Chinese enterprises.

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.

FUTURE PROSPECTS AND STRATEGIES

During the Review Year, China continued its economic growth at a mid-to-high rate with economic highlights. A series of reform measures were launched, improving the quality and efficiency of China's economy. The introduction of policies also catalyzed the transformation and upgrading of the automobile industry. During the Review Year, China's automobile market began to demonstrate features of mature markets, as the market tended to decelerate its growth amid increasingly fierce market competition, while the consumers also started to pay more attention to the consumption experience. In China, sales in the segment market of passenger vehicles experienced a shift, as sales of NEVs in China witnessed a robust growth despite decreasing sales in sedans and a decelerating growth in SUVs. Looking into 2018, the macroeconomic environment is expected to be in line with that of 2017. According to forecasts by research institutions, such as China Association of Automobile Manufacturers and IHS Markit, sales of vehicles in the Chinese market are expected to increase by 2% to 3% in 2018. In particular, sales of passenger vehicles may grow by approximately 3%. In general, the overall market demand will likely exceed 30,000,000 units. Although the expiry of the purchase tax incentive and the gradual retreat of subsidies for NEVs will slightly discourage consumers' desire for cars, the "Belt and Road Initiative" and the long-term auto development plan will help Chinese brands break their own constraints. The launch of "Dual Credit Management" and other policies will speed up the pace of electrification of OEMs. All OEMs expedite their electrification presence in the PRC market, during which, various OEMs also commence their strategy of establishing powerful alliance. Amid growing cooperation among OEMs or between OEMs and parts manufacturers in respect of electrification, intelligent application and car sharing, the automobile market development will be more diversified. It is expected that China may become the major market for the global electric vehicle OEMs to grow their business in the future, which hopefully will take the lead in driving the development of the global electric vehicle market. On the other hand, the market also witnesses a trend where the vehicle dealership services are integrated with internet-based technologies or e-commerce platforms.

During the Review Year, the demand for traditional vehicles remained strong despite a growing interest in self-driving vehicles and car sharing services in the global automobile market. Except for the US market, sales in other major markets continued to rise, most of which were attributable to the demand-driven Western European markets and a recovery in the market demand of Brazil and Russia. It is estimated that the US market may continue to decline in 2018 with a slight increase in the European market and a possible market contraction in the UK and Germany. However, China will continue to maintain its position as the largest market in the world, while the Indian, Brazilian and Russian markets are expected to continue growing. With the global automobile industry being transformed, technology represents the main driver, with mounting pressures from consumers, laws and regulations and environmental protection to reshape the industry. Vehicles in the world and its environment will experience significant transformation in the future, as vehicles will become more lightweight with an efficient engine and a built-in self-driving system. In addition, the automobile industry will also change, as some high-tech companies and parts suppliers will become new entrants. Owners' views on vehicles will change, as more owners will be willing to share their vehicles and regard them as a way of leisure, entertainment and communications.

The automobile industry is preparing a revolution for industrial upgrading and structuring. For automotive component suppliers, the business environment is increasingly complicated, as they have to confront the pressures from a slowdown in global market demands, raising labor costs, a shifting global production structure and stricter environmental regulations and other requirements. Meanwhile, they are required to select paths suitable for the development of its own technologies and products and integrate global resources and development platform from a global perspective by seizing opportunities arising from the government's expectation on enterprises to drive production through innovation and strive for globalization underpinned by various policies, and consumers' anticipation for improvement in experience and convenience of vehicles.

The Group will continue to keep pace with the development trend of the industry, gain further insight into the strategic development needs of its customers, and carry out visionary R&D of new products suitable for its long-term development. To build its global competitiveness, the Group will upgrade core technologies with their derivative development, while improving its production structure and global operation capacities. The Group will develop competitive products and standard production models for each region gradually by shifting from extensive expansion to business model of delicacy management. While further expanding the global market share of traditional products, the Group will extensively and quickly promote and apply its new products to the Group's customer platforms. With its large-scale development accelerated, the Group strives to become a benchmark in globalized development among Chinese enterprises.

The Group continues to enhance its competitive strength in the global market by adhering to the development strategies of business globalization, standardized operation, and cost optimization, as well as its systematic layout and visionary planning. By further advancing the lean operation, the Group will endeavor to pursue core competitiveness of higher efficient and quality manufacturing at lower costs, while continuously driving forward the automated, flexible, and intelligent production model. By improving its advanced layout of chrome plating, coating and anodizing techniques in North America, as well as enhancing the lean operation capability of its factories in

Mexico, the Group will enhance its comprehensive competitiveness of overseas factories. In line with the automotive industry development and the new business pipeline, the Group has been planning its business objective ahead of time, introducing innovative products and technologies, and proactively expanding its business scope in accordance with the development trend of automotive intelligence, body weight reduction and electrification. Meanwhile, the Group may also explore and develop strategic products related to core components of electric vehicles in conjunction with Jiangsu Min'an.

The Group will continue to seize opportunities arising from the global automotive industry by keeping up with the development trend of the automotive industry. With its own advantages fully utilized, the Group will provide its customers with technologically innovated products and solutions by taking into consideration the development blueprint of its customers regarding their global business planning, so as to increase its market share in global segment market. The Group will also enhance the module supply capability of its products through technical upgrade. On the other hand, the Group will continue to build itself into a global exterior parts supplier with the world's most comprehensive surface treatment techniques, so that its stable and robust revenue growth is safeguarded, which in return will be expected to enable the Group to be the top 60 global auto parts supplier in 2021.

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

During the Review Year, the grantees of the share option scheme of the Company ("Share Option Scheme") exercised 10,189,900 share options of the Company ("Share Options") in accordance with the rules and terms of the Share Option Scheme, and 293,000 Share Options lapsed due to the resignation of the grantees.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "Corporate Governance Code") set out in Appendix 14 to the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules"). Save as disclosed below, 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.

As provided for in the code provision A.6.7, independent non-executive Directors and other non-executive Directors should attend the annual general meeting and develop a balanced understanding of the views of shareholders. Mr. Chin Jong Hwa, being the then non-executive Director, and Mr. Wu Fred Fong and Ms. Yu Zheng, being independent non-executive Directors, were unable to attend the 2017 annual general meeting due to their business arrangements.

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 and 2016 annual reports, 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 fixed to commence on 14 October 2019 (with 25 days reserved).

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 2017 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 HKD0.850 per share to shareholders whose names appear on the register of members of the Company on Thursday, 7 June 2018 and the proposed final dividend will be paid on or about Wednesday, 20 June 2018. 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 Wednesday, 30 May 2018.

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 2017 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 Friday, 25 May 2018, 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 Friday, 25 May 2018 to Wednesday, 30 May 2018 (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 Thursday, 24 May 2018.

Shareholders whose names appear on the Company's register of members on Thursday, 7 June 2018, will qualify for the proposed final dividend. The Company's transfer books and register of members will be closed from Tuesday, 5 June 2018 to Thursday, 7 June 2018 (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 Monday, 4 June 2018. 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 Wednesday, 20 June 2018 to shareholders whose names appear on the register of members of the Company on Thursday, 7 June 2018. The shares will trade ex-dividend on Friday, 1 June 2018.

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 2018

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.