MINTH
敏實集團

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 2016

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 22.8% to approximately RMB9,400.0 million (2015: approximately RMB7,654.1 million).

- Gross profit rose by approximately 33.9% to approximately RMB3,250.4 million (2015: approximately RMB2,427.7 million).

- Profit attributable to owners of the Company increased by approximately 35.2% to approximately RMB1,719.1 million (2015: approximately RMB1,271.7 million).

- Basic earnings per share increased to approximately RMB1.536 (2015: approximately RMB1.151).

- Proposed final dividend amounted to HKD0.680 per share (2015: HKD0.548).

- Capital expenditure increased by approximately 3.0% to approximately RMB1,215.6 million (2015: approximately RMB1,180.1 million).

- Consolidated net asset value increased by approximately 15.4% to approximately RMB10,855.7 million (2015: approximately RMB9,406.4 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 2016 (the "Review Year"), together with the comparative figures for the year ended 31 December 2015 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 2016

	NOTES	**2016** *RMB'000*	2015 *RMB'000*
Revenue	*3*	**9,399,992**	7,654,123
Cost of sales		**(6,149,547)**	(5,226,438)
Gross profit		**3,250,445**	2,427,685
Investment income		**65,234**	135,435
Other income		**124,961**	141,507
Other gains and losses	*4*	**124,330**	21,780
Distribution and selling expenses		**(376,568)**	(230,571)
Administrative expenses		**(661,428)**	(585,930)
Research expenditure		**(390,508)**	(330,566)
Interest on borrowings		**(62,766)**	(70,463)
Share of profits of joint ventures		**9,332**	21,592
Share of profits of associates		**35,567**	38,308
Profit before tax		**2,118,599**	1,568,777
Income tax expense	*5*	**(339,172)**	(249,065)
Profit for the year	*6*	**1,779,427**	1,319,712
Other comprehensive expense:			
Item that will not be reclassified to profit or loss:			
(Loss) gain on remeasurement of defined benefit obligation		**(1,258)**	311
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(45,886)**	(47,944)
Cumulative exchange differences reclassified from equity to profit or loss arising on disposal of TK Minth		**–**	10,028
Fair value loss on available-for-sale investments		**(5,203)**	(18,930)
Income tax relating to items that may be reclassified subsequently		**780**	2,840
Other comprehensive expense for the year, net of income tax		**(51,567)**	(53,695)
Total comprehensive income for the year		**1,727,860**	1,266,017

	NOTE	2016 RMB'000	2015 RMB'000
Profit for the year attributable to:			
Owners of the Company		**1,719,141**	1,271,677
Non-controlling interests		**60,286**	48,035
		1,779,427	1,319,712
Total comprehensive income attributable to:			
Owners of the Company		**1,665,608**	1,219,544
Non-controlling interests		**62,252**	46,473
		1,727,860	1,266,017
Earnings per share	*8*		
Basic		**RMB1.536**	RMB1.151
Diluted		**RMB1.515**	RMB1.144

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	NOTES	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**4,956,665**	4,175,383
Prepaid lease payments		**610,033**	624,238
Goodwill		**83,228**	46,407
Other intangible assets		**42,514**	39,398
Interests in joint ventures		**91,889**	73,986
Interests in associates		**206,435**	105,993
Available-for-sale investments		**91,190**	96,392
Deferred tax assets		**105,124**	111,949
		6,187,078	5,273,746
Current assets			
Prepaid lease payments		**15,350**	15,537
Inventories	*9*	**1,569,098**	1,196,022
Property under development		**341,579**	207,863
Loan receivables		**–**	6,269
Trade and other receivables	*10*	**3,438,171**	2,577,428
Derivative financial assets		**34,443**	4,909
Pledged bank deposits		**525,270**	1,107,438
Bank balances and cash		**2,939,723**	2,766,705
		8,863,634	7,882,171
Current liabilities			
Trade and other payables	*11*	**2,529,110**	1,589,760
Tax liabilities		**121,411**	92,672
Borrowings		**1,445,875**	1,957,964
Derivative financial liabilities		**6,586**	28,069
		4,102,982	3,668,465
Net current assets		**4,760,652**	4,213,706
Total assets less current liabilities		**10,947,730**	9,487,452

	2016	2015
	RMB'000	*RMB'000*
Capital and reserves		
Share capital	**113,532**	111,570
Share premium and reserves	**10,483,982**	9,080,667
Equity attributable to owners of the Company	**10,597,514**	9,192,237
Non-controlling interests	**258,192**	214,179
Total equity	**10,855,706**	9,406,416
Non-current liabilities		
Deferred tax liabilities	**71,581**	59,211
Retirement benefit obligation	**20,443**	21,825
	92,024	81,036
	10,947,730	9,487,452

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL, CORPORATE REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated under the Company Law of the Cayman Islands on 22 June 2005 and registered as an exempted company with limited liability. Its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1 December 2005. The Company acts as an investment holding company with its subsidiaries engaged in the design, development, manufacture, processing and sales of automobile body parts and moulds.

In the opinion of the Directors, 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 2016:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisition of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKFRSs	*Annual improvements to HKFRSs 2012–2014 Cycle*

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.

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

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 7	Disclosure Initiatives[1]
Amendments to HKAS 12	Recognition of Deferred Tax Asset for Unrealised Losses[1]

[1] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined.

Except as described below, the new and amendments to HKFRSs that have been issued but are not yet effective have had no material impact on the Group's financial performance and positions and/or on the disclosures set out in the consolidated financial statements in the future.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial asset.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.

  Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt instruments and equity instruments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss ("FVTPL"), HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liability designated as at FVTPL is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Group's financial assets and liabilities as at 31 December 2016 on the basis of the facts and circumstances that exists at that date, the Directors have performed a preliminary assessment of the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

Application of HKFRS 9 in the future may have an impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments will either be measured as FVTPL or be designated as FVTOCI (subject to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the Standard introduced a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may have an impact on the amounts report as the time of revenue recognition may be affected. However, it is not practical to provide a reasonable estimate of the effect of HKFRS 15 until a detailed review has been completed. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 ***Leases***

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB50,944,000. HKAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitment. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until a detailed review has been completed.

Amendments to HKAS 7 ***Disclosure Initiative***

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 changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other business; (iii) the effect of changes in foreign exchange rate; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The Directors anticipate that the application of amendments to HKAS 7 in the future will result in more disclosure in the respective reporting periods.

3. SEGMENT INFORMATION

Information reported to the Board, 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 2016

	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	**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 on borrowings					**(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**

For the year ended 31 December 2015

	The PRC *RMB'000*	North America *RMB'000*	Europe *RMB'000*	Asia Pacific *RMB'000*	Consolidated *RMB'000*
Revenue					
External sales	4,610,118	1,890,915	667,976	485,114	7,654,123
Segment profit	1,406,617	574,770	270,411	161,735	2,413,533
Investment income					135,435
Other unallocated income, gains and losses					177,439
Unallocated expenses					(1,147,067)
Interest on borrowings					(70,463)
Share of profits of joint ventures					21,592
Share of profits of associates					38,308
Profit before tax					1,568,777
Income tax expense					(249,065)
Profit for the year					1,319,712

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 Board for the purposes of resource allocation and performance assessment.

4. OTHER GAINS AND LOSSES

	2016 ***RMB'000***	2015 *RMB'000*
Net foreign exchange gain (loss)	**33,995**	(83,439)
Fair value changes of derivative financial instruments	**83,260**	30,339
Allowance for trade and other receivables	**(23,017)**	(14,805)
Reversal of allowance for trade and other receivables	**507**	653
Impairment for property, plant and equipment	**(18,300)**	(8,000)
Impairment for other intangible assets	**(745)**	–
Loss on disposal of property, plant and equipment	**(18,808)**	(455)
Gain on disposal of prepaid lease payment	**2,457**	–
Loss on disposal of assets classified as held for sale	**–**	(117)
Gain on fair value changes of financial assets designated as at FVTPL	**50,591**	37,972
Cumulative gain reclassified from equity on disposal of available-for-sale investments	**–**	50,607
Impairment for investment on a former joint venture	**(4,221)**	–
Net gain on loss of control of TK Minth and subsequently disposal of equity interest in TK Minth	**–**	9,167
Gain from remeasurement of fair value of previously held joint ventures upon acquisition	**18,611**	–
Loss on deregistration of an associate	**–**	(142)
Total	**124,330**	21,780

5. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**338,964**	270,516
Other jurisdictions	**7,705**	2,140
Withholding tax paid	**160**	40,622
	346,829	313,278
Over provision in prior years:		
PRC Enterprise Income Tax	**(26,371)**	(25,518)
Deferred tax:		
Current year charge (credit)	**18,714**	(38,695)
	339,172	249,065

6. PROFIT FOR THE YEAR

	2016	2015
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Depreciation for property, plant and equipment	**403,172**	317,885
Amortisation of other intangible assets	**13,077**	13,603
Release of prepaid lease payments	**15,938**	15,252
	432,187	346,740

7. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2015 Final – HK$0.548 (2014: final dividend HK$0.516) per share	**520,452**	450,581

In the annual general meeting held on 26 May 2016, a final dividend of HK$0.548 (2015: HK$0.516) per share totalling HK$613,821,000 (equivalent to RMB520,452,000) (2015: HK$570,738,000 (equivalent to RMB450,581,000)) in respect of the year ended 31 December 2015 was approved by the shareholders and subsequently paid to the shareholders of the Company.

A final dividend of HK$0.680 per share totalling HK$768,752,000 (equivalent to RMB687,656,000) for the year ended 31 December 2016 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 2017.

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:

	2016	2015
	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)	**1,719,141**	1,271,677

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,119,593**	1,104,418
Effect of dilutive potential ordinary shares: share options *(Note)*	**14,940**	7,641
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,134,533**	1,112,059

Note: All of the outstanding share options of the Company as of 31 December 2016 have been included in the computation of the diluted earnings per share because the exercise prices of these Company's share options were lower than the average market prices of the Company's shares during the current year while certain outstanding share options of the Company as of 31 December 2015 has not been included in the computation of diluted earnings per share as the exercise prices of these Company's share options were higher than the average market prices of the Company's shares during the year ended 31 December 2015.

9. INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Raw materials	**406,167**	350,807
Work in progress	**360,375**	259,601
Finished goods	**409,661**	240,047
Moulds	**392,895**	345,567
	1,569,098	1,196,022

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables		
– associates	**46,741**	6,442
– joint ventures	**11,829**	25,762
– non-controlling shareholders of subsidiaries	**1,133**	544
– third parties	**2,577,043**	1,944,786
Less: Allowance for doubtful debts	**(17,738)**	(8,546)
	2,619,008	1,968,988
Bill receivables	**185,052**	98,127
Other receivables	**81,736**	94,727
Less: Allowance for doubtful debts	**(5,573)**	(9,863)
	76,163	84,864
	2,880,223	2,151,979
Prepayments	**363,007**	212,045
Prepaid expense	**12,592**	17,104
Value-added tax recoverable	**136,250**	127,020
Refundable guarantee deposits	**46,099**	30,000
Dividend receivable from a joint venture	**–**	39,280
Total trade and other receivables	**3,438,171**	2,577,428

The Group normally grants a credit period of 60 days to 90 days (2015: 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:

	2016	2015
	RMB'000	*RMB'000*
Age		
0 to 90 days	**2,539,794**	1,905,273
91 to 180 days	**59,565**	55,025
181 to 365 days	**13,787**	1,540
1 to 2 years	**5,862**	7,150
	2,619,008	1,968,988

Bill receivables held by the Group as at 31 December 2016 will mature within 6 months (31 December 2015: within 6 months).

11. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables		
– associates	**37,183**	790
– joint ventures	**21,829**	18,144
– non-controlling shareholders of subsidiaries	**405**	2,571
– third parties	**1,226,954**	830,359
	1,286,371	851,864
Bill payables	**19,447**	–
Other payables		
– associates	**83**	135
– joint ventures	**–**	12,525
– non-controlling shareholders of subsidiaries	**24,052**	22,813
	24,135	35,473
	1,329,953	887,337
Payroll and welfare payables	**307,769**	237,040
Advance from customers	**397,565**	58,806
Consideration payable of acquisition of property, plant and equipment	**148,651**	120,187
Technology support services fees payable	**795**	135
Freight and utilities payable	**72,646**	47,336
Value-added tax payable	**49,395**	39,896
Interest payable	**8,676**	6,801
Rental payable	**3,752**	1,900
Deposits received	**5,431**	9,271
Others	**204,477**	181,051
Total trade and other payables	**2,529,110**	1,589,760

The average credit period on purchases of goods is 30 days to 90 days (2015: 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:

	2016	2015
	RMB'000	*RMB'000*
Age		
0 to 90 days	**1,237,916**	794,826
91 to 180 days	**30,765**	26,109
181 to 365 days	**7,401**	19,523
1 to 2 years	**9,170**	9,425
Over 2 years	**1,119**	1,981
	1,286,371	851,864

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the Review Year, the production and sales of China's passenger vehicles were approximately 24,421,000 units and approximately 24,377,000 units respectively, representing significant year-on-year growth of approximately 15.5% and approximately 14.9% respectively, ranking first in the global automotive market for eight consecutive years. The economic returns in the industry also made a great improvement, which played a significant role in ensuring stable operation of the macro-economy. The sales increase of China's passenger vehicles during the Review Year was mainly attributable to the sales of SUVs and sedans with emission of 1.6-liter or below, in particular, the sales of SUVs achieved a rapid year-on-year growth of approximately 44.6%, which boded well for the Group due to its higher dollar content per car in SUV models. The implementation of the stimulus policy of automobile purchase tax reduction had played an important role in promoting energy saving and emission reduction and driving the consumption of vehicles with low emission. During the Review Year, the annual sales of new energy vehicles in China were approximately 507,000 units, representing a rapid year-on-year growth of approximately 53%, of which the sales of pure electric vehicles were approximately 409,000 units, representing a year-on-year increase of approximately 65.1%. During the Review Year, the market share of American OEMs in China basically remained stable as compared with last year. Market share of Chinese OEMs recorded growth for two consecutive years while market share of other OEMs decreased. Total sales volume of Chinese OEMs amounted to approximately 10,529,000 units, representing approximately 43.2% of the total sales of passenger vehicles in China and an increase of approximately 2% in market share as compared with the same period of last year, of which the largest contribution came from SUVs, with sales of approximately 5,268,000 units, representing a year-on-year increase of approximately 57.6%, and approximately 58.2% of the total sales of SUVs in the Chinese market, which represented an increase of approximately 4.8% in market share as compared with the same period of last year.

During the Review Year, a slower growth in sales of passenger vehicles was recorded in mature automotive markets. Sales in the U.S. market was approximately 17,550,000 units, representing a slight year-on-year increase of approximately 0.4%, of which the sales of sedans decreased by approximately 8.1% compared to last year. Having achieved a growth of approximately 7.2% in sales, light trucks became the major growth driver. Total sales of passenger vehicles in the 28 nations of the European Union amounted to approximately 14,640,000 units, representing a year-on-year increase of approximately 6.8%. Political issues, such as Brexit and the referendum in Italy did not drag down consumers' confidence, and the top five automotive markets, including Britain, Germany, France, Spain and Italy, recorded various degrees of growth. During the Review Year, sales in emerging markets experienced opposite extremes due to the different economic and policy factors affecting various countries. During the Review Year, automotive markets in Russia and Brazil remained depressed, with year-on-year sales decline of approximately 11% and approximately 20.2%, respectively, hitting a record low for recent years after four years of decline. The Indian market achieved a year-on-year growth of approximately 7.2%, regaining a growth momentum. The Thai market recorded a narrowing decline of approximately 3.9% compared to last year. Sales in the Mexican market grew by approximately 18.6% compared to last year, hitting a new record for two consecutive years.

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 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 obtained more businesses from overseas markets and high-end brands through continuously enhancing the competitiveness of its aluminum products and the promotion and application of new materials and techniques, building a foundation for the rapid development of the Group. During the Review Year, the Group continued to maintain a steady growth in revenue. The Group saw a substantial increase in its gross profit margin as compared to last year and posted record high in its annual results.

During the Review Year, driven by the promotion of Industry 4.0 and China Manufacturing 2025, the Group further upgraded its level of lean production, accelerated its efforts in improving automation level and achieved growth in per capita output by applying robotic arms in order to automatize certain processes. During the Review Year, the aluminum business of the Group maintained rapid growth. The Group not only gained full recognition by high-end customers from all over the world, but also achieved a qualitative breakthrough in terms of surface treatment, being awarded the "BMW Supplier Innovation Award in Quality". The overseas production base for aluminum products commenced operation, which improved overseas logistics and enhanced its quick response capability towards overseas customers, ensuring relatively low logistics costs and further reducing the risk of potential tariff barriers. The Group continued to improve its operational and technological capabilities, which provided a solid support for the expansion of its market share in its core customers.

During the Review Year, the Group strengthened its cooperation with its major customers, suppliers, partners, colleges, research institutes, experts and consultation companies and formed strategic alliances with outstanding platform suppliers. Meanwhile, the Group actively studied the global leading organizational model, explored the research and development ("R&D") systems suitable for the Group, cultivated and retained international elites and core technical talents, improved and enhanced its professional R&D capability and strengthened its technical know-how. Intellectual property rights protection systems were put in place in domestic and overseas markets in order to protect the Group's R&D achievements.

During the Review Year, the Group established Environmental Health Safety (EHS) headquarter, which is responsible for promoting environmental protection, occupational health and production safety in the Company. The Group promoted the development of environmental protection undertakings based on the principle of sustainable development. Public health was protected through effectively managing the waste emission to prevent pollution and other public hazards. A special team was formed with an aim to promoting energy conservation and emission reduction projects, so as to enhance resources utilization rate within the Group. The Group had disseminated and promoted information on production safety; organised annual physical examination for its staff; regularly arranged occupational health lectures and healthcare consulting services; and ensured production safety and staff's occupational health.

During the Review Year, the Board and Audit Committee of the Group maintained a persistent supervision on the operating risks of the Group, to safeguard the interest of shareholders and the assets of the Group. During the Review Year, the internal control of the Group had not experienced any material changes. By continuously optimizing the risk management and internal control systems, the Group had sufficient control measures for significant risks as a whole to guarantee the compliance of risk management requirements in all respects.

BUSINESS AND OPERATION LAYOUT

During the Review Year, the Group's revenue was approximately RMB9,399,992,000, representing an increase of approximately RMB1,745,869,000 or approximately 22.8% compared with approximately RMB7,654,123,000 in the same period in 2015, of which, the domestic revenue of the Group was approximately RMB5,828,053,000, representing an increase of approximately 26.4% compared with approximately RMB4,610,118,000 in the same period in 2015. The increase in domestic revenue was mainly attributable to the increase in production and sales of Japanese and Chinese OEMs in the Chinese market and the significant growth of over 40% in the production and sales of SUV models. The Group's overseas revenue was approximately RMB3,571,939,000, and grew by approximately 17.3% compared with approximately RMB3,044,005,000 in the same period in 2015, mainly due to the business growth of European and American customers.

During the Review Year, the Group made a steady growth in its new business intake, continued to consolidate the new business development with European and Japanese customers, and recorded a significant increase in new business with Chinese customers with a breakthrough in new business awards with GAC Motor. The Group maintained a favorable development momentum in its aluminum products and put great efforts to accelerate the global business cooperation with Volkswagen Group, to break up the monopoly of its original suppliers. While keeping on developing the business of aluminum products for high-end brands, the Group also continued to expand its business with various customers through application of new techniques and new materials, thereby reshaping the competitive landscape. In addition, the Group reinforced the research on lightweight products, and continued to develop the application of aluminum material in other products. The Group secured new business intake of aluminum sunroof guide rail and entrance trim for the first time for overseas markets, continued to put effort on the technology development of high strength steel, and explored the business of bumper beam and high strength door frame. The Group also kept abreast of the development trend in eco-friendly automobiles, made proactive arrangements for new energy business and obtained the aluminum trim and roof rack businesses for electric vehicles of NextEV in Shanghai and Audi in overseas locations.

During the Review Year, the Group continued to strengthen its global production layout, which facilitated the development of the Group's global business. The Group invested in various advanced production lines for aluminum products in Mexico, which laid a solid foundation for conforming with the global layout of OEMs. Significant increase in capacity utilization rate of factories in Thailand satisfied the demands of business development in ASEAN and India markets as well as the growing demand in export business in the future, in particular, the business in North America. In China, investment in high standard, high efficiency and high productivity equipment accelerated, and the Group continued to expand investment in intelligent equipments and construction of flexible production lines, which improved the productivity and technical expertise in different plants of the Group, hence satisfying customers' need for automation and high quality, and enhancing the competitiveness of the Group.

On 24 February 2016, Cheerplan (China) Investments Co. Ltd. (展圖(中國)投資有限公司) ("Cheerplan (China)"), an indirect wholly-owned subsidiary of the Company, set up Ningbo Minth Automotive Electronic Technology Co., Ltd. ("Ningbo Minth") in China with a registered capital of USD20,000,000 to engage in the manufacture and sale of automotive electronics. On 15 October 2016, Cheerplan (China) entered into a capital increase agreement with 寧波中嘉科貿有限公司 and 錫瑋投資股份有限公司, pursuant to which 寧波中嘉科貿有限公司 and 錫瑋投資股份有限公司 agreed to make capital contributions of approximately USD1,225,000 respectively to Ningbo Minth. Upon completion of the capital increase, (i) the registered capital of Ningbo Minth increased from USD20,000,000 to USD22,450,000; and (ii) the equity interest in Ningbo Minth was held as to approximately 89.09% by Cheerplan (China), approximately 5.455% by 寧波中嘉科貿有限公司 and approximately 5.455% by 錫瑋投資股份有限公司. On 17 March 2016, Cheerplan (China) entered into a joint venture agreement with Haartz Corporation to establish a joint venture company in China to engage in the manufacture and sale of soft automotive interior trim materials and the provision of relevant technical services. Pursuant to the joint venture agreement, the joint venture company is owned as to 40% by Cheerplan (China), and 60% by Haartz Corporation and has a registered capital of USD12,000,000 (contributed as to USD4,800,000 by Cheerplan (China) and as to USD7,200,000 by Haartz Corporation). On 24 March 2016, Cheerplan (China) entered into a joint venture agreement with Fujitsu Electronics (Shanghai) Co., Ltd. (富士通電子元器件(上海)有限公司) ("Fujitsu (Shanghai)") to establish a joint venture company in China to engage in the development and sale of automotive camera modules. Pursuant to the joint venture agreement, the joint venture company is owned as to 60% by Cheerplan (China), and 40% by Fujitsu (Shanghai) and has a registered capital of RMB5,200,000 (contributed as to RMB3,120,000 by Cheerplan (China) and as to RMB2,080,000 by Fujitsu (Shanghai)). On 16 August 2016, Jiaxing Sinoone Investment Co., Ltd. ("Jiaxing Sinoone"), an indirect wholly-owned subsidiary of the Company, had entered into a joint venture agreement with Clean Wave Technologies Hong Kong, Ltd. ("Clean Wave (HK)") to establish a joint venture in China to engage in the R&D, production, sale and after sale services of electric drive systems. Pursuant to the joint venture agreement, the joint venture is owned as to 51% by Jiaxing Sinoone and 49% by Clean Wave (HK) and has a registered capital of USD29,411,765.

Research and Development

During the Review Year, the Group increased its investment in innovation research and established the Innovation Research Centre, remained committed to innovation in product and technology. Meanwhile, based on its existing laboratories, the Group set up the welding laboratory, the material laboratory and the mechanics laboratory which serve as technical platforms for innovative experiments. The laboratories had conducted a series of innovative technical research and made progress in different stages, providing sound support for the Group's technical enhancement. In response to the increasing demand in global concurrent design, the Group continued to upgrade its product design capability by integrating global resources with domestic and overseas advanced technologies. The Group entered into the concurrent design system of global high-end OEMs, improved its global R&D network, and strengthened communication and exchange with the R&D organisations of major customers. During the Review Year, the Group provided concurrent design validation, prototype development and completed product design for the global platform vehicles of various OEMs. In respect of production techniques, the Group achieved a breakthrough in the high stability and luster effect features of the processing technique in corrosion resistance for aluminum trim, and was awarded the "BMW Supplier Innovation Award in Quality" due to its strong innovation capability, making it the first Chinese supplier to be granted such recognition in a century. As such, the Group's competitive edge in aluminum products was further enhanced. During the Review Year, the Group procured more than 700 units of robotic arms for various automatic production lines, nearly 30 of which were fully automatic production lines, indicating significant enhancement in the Group's integration capability and automation development capability. Meanwhile, advanced information management system was introduced to build the foundation for intelligent R&D and manufacturing.

The Group placed great emphasis on protecting its intellectual property rights. It has obtained certifications for its intellectual property rights protection system and has actively applied for international patents. During the Review Year, the Group filed 189 patent applications for approval, and 103 patents were authorised by competent institutions.

FINANCIAL REVIEW

RESULTS

During the Review Year, the Group's revenue was approximately RMB9,399,992,000, representing an increase of approximately 22.8% from approximately RMB7,654,123,000 in 2015. It was mainly driven by the growth of production and sales of Japanese and Chinese OEMs in the Chinese market, the rapid increase in production and sales of SUVs and the business boost of European and American customers in overseas markets.

During the Review Year, the profit attributable to owners of the Company was approximately RMB1,719,141,000, representing an increase of approximately 35.2% from approximately RMB1,271,677,000 in 2015. It was mainly attributable to sustainable and steady growth in revenue, together with the continuous emphasis on reduction of cost and control of expenses. The Group saw a substantial increase in its gross margin and posted a record high in its annual results.

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:

	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Customer category				
The PRC	**5,828,053**	**62.0**	4,610,118	60.2
North America	**2,159,159**	**23.0**	1,890,915	24.7
Europe	**829,478**	**8.8**	667,976	8.7
Asia Pacific	**583,302**	**6.2**	485,114	6.4
Total	**9,399,992**	**100.0**	7,654,123	100.0

Revenue from Overseas Market

During the Review Year, the overseas market revenue amounted to approximately RMB3,571,939,000, representing an increase of approximately 17.3% from approximately RMB3,044,005,000 in 2015. It accounted for approximately 38.0% of the total revenue of the Group in the Review Year, representing a decrease when compared to approximately 39.8% in 2015.

Gross Profit

During the Review Year, the Group's gross profit was approximately RMB3,250,445,000, representing a growth of approximately 33.9% from approximately RMB2,427,685,000 in 2015. The gross profit margin was approximately 34.6% in the Review Year, representing an increase of approximately 2.9% from approximately 31.7% in 2015. It was mainly owing to the scale benefit brought by revenue growth of the Group, the positive momentum of aluminum products which have higher gross profit margin, and the favourable impact brought by RMB depreciation on the gross profit margin of exported products during the Review Year. In addition, the Group continued to enhance production efficiency and management efficiency through the measures such as centralized procurement, lean manufacturing, optimization of production layout and technology innovation, which resulted in a significant increase of the overall gross profit margin as compared to 2015.

Investment Income

During the Review Year, the investment income of the Group was approximately RMB65,234,000, representing a decrease of approximately RMB70,201,000 from approximately RMB135,435,000 in 2015. It was mainly due to reduction of interest income resulting from a decrease of average deposit balance of the Group and the lower market interest rate during the Review Year.

Other Income

During the Review Year, the other income of the Group amounted to approximately RMB124,961,000, representing a decrease of approximately RMB16,546,000 from approximately RMB141,507,000 in 2015. It was mainly attributable to a decrease in government subsidies.

Other Gains and Losses

During the Review Year, the Group's other gains and losses amounted to a net gain of approximately RMB124,330,000, representing an increase of approximately RMB102,550,000 as compared to the net gain of approximately RMB21,780,000 in 2015. It was mainly attributable to the increase in exchange losses of the Group in 2015 due to the rapid depreciation of RMB during the second half of 2015; while the Group generated profit by actively adopting control measures for foreign exchange exposure and entering into foreign exchange contracts during the Review Year.

Distribution and Selling Expenses

During the Review Year, the Group's distribution and selling expenses were approximately RMB376,568,000, representing an increase of approximately RMB145,997,000 from approximately RMB230,571,000 in 2015. It accounted for approximately 4.0% of the Group's revenue, representing an increase of approximately 1.0% from approximately 3.0% in 2015. It was mainly attributable to the additional expenses which were in line with the Group's revenue growth and new business intake during the Review Year.

Administrative Expenses

During the Review Year, the administrative expenses of the Group amounted to approximately RMB661,428,000, representing an increase of approximately RMB75,498,000 from approximately RMB585,930,000 in 2015. It accounted for approximately 7.0% of the revenue of the Group, representing a decrease of approximately 0.7% from approximately 7.7% in 2015. It was mainly attributable to the stringent control of the administrative expenses by the Group despite its revenue growth, so that the proportion of such expenses to the revenue decreased.

Research Expenditure

During the Review Year, the research expenditure of the Group amounted to approximately RMB390,508,000, representing an increase of approximately RMB59,942,000 from approximately RMB330,566,000 in 2015. 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.

Share of Profits of Joint Ventures

During the Review Year, the Group's share of profits of joint ventures was approximately RMB9,332,000, representing a decrease of approximately RMB12,260,000 from approximately RMB21,592,000 in 2015, which was mainly because a former joint venture was acquired by the Group and became a subsidiary during the Review Year.

Share of Profits of Associates

During the Review Year, the Group's share of profits of associates was approximately RMB35,567,000, representing a decrease of approximately RMB2,741,000 from approximately RMB38,308,000 in 2015. It was mainly attributable to a newly invested associate which made a loss during the Review Year.

Income Tax Expense

During the Review Year, the Group's income tax expense was approximately RMB339,172,000, representing an increase of approximately RMB90,107,000 from approximately RMB249,065,000 in 2015.

During the Review Year, the effective tax rate was approximately 16.0%, representing an increase of approximately 0.1% from approximately 15.9% in 2015.

Profits Attributable to Non-controlling Interests

During the Review Year, the Group's profits attributable to non-controlling interests were approximately RMB60,286,000, representing an increase of approximately RMB12,251,000 from approximately RMB48,035,000 in 2015. It was mainly attributable to an increase in profit due to the revenue growth of certain non-wholly owned subsidiaries.

Liquidity and Financial Resources

As of 31 December 2016, the Group's total bank balances and cash amounted to approximately RMB2,939,723,000, representing an increase of approximately RMB173,018,000 compared to approximately RMB2,766,705,000 as of 31 December 2015. As of 31 December 2016, the Group's low cost borrowings amounted to approximately RMB1,445,875,000, among which the equivalent of approximately RMB384,690,000, approximately RMB374,598,000, approximately RMB304,000,000, approximately RMB234,637,000, approximately RMB85,554,000, approximately RMB46,515,000 and approximately RMB15,881,000 were denominated in Euro ("EUR"), US Dollar ("USD"), RMB, Mexican Peso ("MXN"), Thai Baht ("THB"), Hong Kong Dollar ("HKD") and Japanese Yen ("JPY") respectively, representing a decrease of approximately RMB512,089,000 as compared to approximately RMB1,957,964,000 as of 31 December 2015. The decrease was mainly due to the amount of borrowings that the Group repaid 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 RMB1,722,884,000, indicating a sound cash flow condition.

During the Review Year, the Group's trade receivables turnover days were approximately 81 days, increasing by approximately 6 days from approximately 75 days in 2015. It was mainly attributable to an increase in bill receivables balance and higher percentage of revenue generated from customers with longer repayment terms.

During the Review Year, the Group's trade payables turnover days were approximately 55 days, increasing by approximately 6 days from approximately 49 days in 2015. It was mainly attributable to adjusting the payment methods of suppliers responding to the change of repayment terms of customers.

During the Review Year, the Group's inventory turnover days were approximately 62 days, increasing by approximately 3 days from approximately 59 days in 2015. It was mainly attributable to an increase of projects in development with an increase of new business intake.

The Group's current ratio was approximately 2.2 as at 31 December 2016, which increased by approximately 0.1 compared to approximately 2.1 as at 31 December 2015. As at 31 December 2016, the Group's gearing ratio was approximately 9.6% (31 December 2015: approximately 14.9%), 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 remarkable 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 2016, 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	**275,148**

INTEREST RATE AND FOREIGN EXCHANGE RISKS

As at 31 December 2016, the balance of bank borrowings of the Group was approximately RMB1,445,875,000, of which RMB304,000,000 was bearing at fixed interest rates, and approximately RMB1,141,875,000 was bearing at floating interest rates. The aforesaid borrowings had no seasonality features. In addition, approximately RMB622,271,000 of the aforesaid borrowings was denominated in currencies other than the functional currencies of the Group's relevant entities, of which the equivalent of approximately RMB282,395,000, approximately RMB277,480,000, approximately RMB46,515,000, and approximately RMB15,881,000 were denominated in EUR, USD, HKD and JPY 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 2016, the Group's cash and cash equivalents denominated in currencies other than the functional currencies amounted to approximately RMB242,392,000 of which approximately RMB129,376,000 was denominated in USD, approximately RMB98,499,000 was denominated in EUR, approximately RMB9,255,000 was denominated in HKD, approximately RMB5,159,000 was denominated in JPY and the remainder of approximately RMB103,000 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 2016, the Group had no contingent liabilities (31 December 2015: Nil).

MORTGAGED ASSETS

As at 31 December 2016, the Group had bank borrowings of approximately RMB304,000,000 secured by bank deposits of approximately RMB464,000,000. The borrowings are to be settled in RMB (31 December 2015: the Group had borrowings of approximately USD35,000,000 (equivalent to approximately RMB227,276,000) and approximately RMB882,700,000 secured by bank deposits of approximately RMB1,015,000,000. The borrowings are to be settled in USD and RMB respectively). The Group pledged freehold lands and buildings with a net book value of approximately RMB16,968,000 (31 December 2015: approximately RMB16,495,000) 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 RMB1,215,564,000 (2015: approximately RMB1,180,082,000). The capital expenditure for the Review Year accommodated the increase of investment in aluminum production bases, electric vehicle business unit, automation improvement and capacity expansion according to the Group's plan for global production layout.

PLACING AND SUBSCRIPTION

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

MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisition or disposal during the Review Year.

EVENTS AFTER THE REPORTING PERIOD

On 2 March 2017, Cheerplan (China) 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 (實益(中國)有限公司) ("Best Treasure"), a company indirectly wholly-owned by Mr. Chin Jong Hwa (the ultimate controlling shareholder of the Company and a non-executive Director) and therefore a connected person of the Company. Pursuant to the capital increase agreement, each of Huai'an Development and Best Treasure agreed to make capital contributions of approximately USD49.7 million respectively to Jiangsu Min'an Electric Cars Co., Ltd. ("Min'an", an indirect subsidiary of which the Group owned 50% equity interests during the Review Year). Upon completion of the capital increase, (i) the registered capital of Min'an will be increased from USD33.0 million to USD130.0 million; and (ii) the equity interest in Min'an will be held as to approximately 12.7% by Cheerplan (China), 50% by Huai'an Development and approximately 37.3% by Best Treasure. Accordingly, Min'an will, upon completion, cease to be an indirect subsidiary of the Company and its results of operations and financial position will cease to be consolidated in the Group's consolidated financial statements. Please refer to the Company's announcement dated 2 March 2017 for further details.

EMPLOYEES

As at 31 December 2016, the Group had a total of 13,657 employees. The Group sustained rapid development during the Review Year, particularly in terms of its aluminum business and the business development in China. Additionally, with the development of new businesses of automotive electronics, electric vehicles and intelligent equipments, the total number of employees increased by 2,320 compared to 31 December 2015, which continuously enhanced the Group's talent pool. During the Review Year, the Group actively promoted and practiced core values in its global operations in order to optimise the Group's corporate culture system. The employer brand project was continuously promoted to ensure the implementation of the Group's employer value. In the context that talent recruitment is increasingly competitive and complicated, the Group was able to maintain and implement competitive compensation system and talent retention plan in its global operations. The global talent management system (SuccessFactors) was initiated with an aim to accelerate and promote the training and management of global talents. With the establishment of PeopleSoft and HyperionHPM systems, the global remuneration policy was upgraded and updated to implement the integration of workflow for human resources.

During the Review Year, the Group continued to uphold sound talent strategy in line with the demands of industrial upgrading of the Group and requirements of Industry 4.0 by proactively fostering R&D team and international project team and expediting its talent development. The Group improved the academic classification of corporate university and built the course system framework of FMTP (First-line Manager Training Program), MTP (Manager Training Program), SMTP (Senior Manager Training Program) and GMTP (General Manager Training Program), so as to strengthen the cooperation with universities and to build a more solid foundation for its talent pool.

Based on the theory of holistic health development, the Group has been focusing on a well-balanced development of the physical, mental and holistic health of the staff. Various activities (such as Couple's Camp, Children's Camp for Character Building and Teenagers' Camp for Character Building) were organised with a people-oriented approach, to promote the holistic health development of the staff.

SHARE OPTION SCHEME

The Company adopted a conditional share option scheme (the “Share Option Scheme”) on 22 May 2012, which aims at granting Share Options to those qualified persons who have contributed or will contribute to the Group as a reward or incentive.

FUTURE PROSPECTS AND STRATEGIES

Looking ahead to the global conventional automotive industry in 2017, it is expected that sales growth could slow down in the U.S. and most of the developed markets in Western Europe, while the Chinese market could maintain a relatively steady growth. Emerging markets such as India, Russia, and Thailand are expected to record recovery, benefitting from improved economic expectation. Based on the projections of research institutes like IHS, the global automotive industry is expected to post a steady growth momentum in 2017, with an increase of approximately 2–3% as compared to that of 2016, and the sales volume is expected to exceed 95,000,000 units throughout the year. In anticipation of the potential change in trade policy following the new president of the U.S. taking office, uncertainties with the economic prospect of the U.S. are set to increase, and certain OEMs are re-considering their future capacity allocation around the globe in response, which may initiate a change in the division of work throughout the global automotive industry. As the largest automotive market in the world, China remains a very attractive market to OEMs, which in turn stimulates OEMs to improve their supply chain system as well as the layout of automotive service and trade in China. It is anticipated that in 2017 capacity relocation to the U.S. and China will become a trend.

Under the development trend of environmental protection in the automotive industry, various countries will continue to roll out stimulus policies for new energy vehicles. Reducing fuel consumption and enhancing engine technologies to meet the fuel consumption standard set by the government have become the main development trend for OEMs. The automotive industry has expanded to the field of electronics and service from manufacturing with tremendous changes in the competition landscape. In respect of automobile manufacturing, the internet and electronic techniques have led to changes in the manufacturing mode, innovation of the business model and restructuring of the value chain. Being intelligent, internet-connected and digitalized will become the development trend for most automobile brands. Many OEMs are building up more globalized structures and platforms so that their products and designs can be put into service in any market around the world with slight changes, so as to improve the efficiency, profitability and scale. Therefore, the technical competence, lean production capability and geographical coverage have become the closely-monitored elements when OEMs choose their long-term suppliers. Through mergers and acquisitions, more and more automotive parts suppliers are keeping abreast of the ever-changing technologies in the automotive industry to satisfy customers’ demand for self-driving, infotainment and safety.

While the Group endeavors to lay a solid foundation for its development, it also focuses on the expansion of products and technologies for automobiles in the future. The Group will continuously enhance customers’ confidence and promote the development of balanced customer base and product mix, aiming at breaking up the barriers in the existing supply system of its customers, and becoming a change maker which reduces the complex of the supply chain of its customers. In view of the changes in global economic environments, the Group will keep reinforcing the business expansion in North America and focusing on the top three American customers, namely, General Motors, Ford and Chrysler. At the same time, the Group will also proactively explore new business with Japanese and Korean customers in North America to support and promote the strategy to enhance its investment and layout in the U.S. Also, the Group will cater to the customers’ need to strategically expand the business with Chinese OEMs and seize the business opportunities in emerging markets, which contributes to the Group's vision of "Minth Journey of Global Excellence". Meanwhile, the Group will remain flexible to the changes in market, not only establishes technical standard and flexible production mode for existing products, but also focuses on the research on lightweight products in respect of materials, structures and techniques, resulting in a perfect integration of existing exterior decorative parts and intelligent sensing products under the intelligence trend. By repeated efforts to integrate global resources and seeking for global cooperation, the Group keeps expanding the product portfolio to satisfy customers' need in terms of intelligence, environment protection and safety.

In response to the development trend of environmental protection in automotive industry, Min'an was granted the approval for the Construction Project for Pure Electric Passenger Vehicles of Jiangsu Min'an Electric Cars Co., Ltd. (Fa Gai Chan Ye [2016] No. 2407《江蘇敏安電動汽車有限公司純電動乘用車建設項目》) on 14 November 2016. Min'an is the fifth enterprise being awarded such approval in China, marking a major milestone for the Group, details of which are set out in the announcement of the Company dated on 16 November 2016.

The Group will continue to follow the development strategy of globalization, standardization and scale production, targeting at building up solid foundation for lean production by refining the Minth Production System (MPS) management mode as well as focusing on the principle of "learning from the workplace, the actual stuff and the real situation", and it also sets to regulate the production line standards, improve on-site workplace management and streamline logistics and total productive maintenance (TPM) to create a lean culture which will continuously enhance the Group's competitiveness. In addition, the Group will further promote the automatic, flexible and intelligent manufacturing models to lay a foundation for Minth Manufacturing 4.0. In order to continuously improve the global supply chain and global presence, the Group will accelerate the manufacturing layout in the U.S. for chrome plating, coating and relevant techniques for door frames. The Group will continue to improve its presence in Mexico and improve the export capability of its factories in Thailand to North America so as to enhance the Group's competitiveness in such market. As for Europe, the PH13.5 anodizing production line is newly built to satisfy the European customers' demands for product performance. As for Asia Pacific, the Group will continue to increase its capacity for global market. As for China market, additional investment will be put in its industry-leading anodizing production line, chrome plating production line and coating production line to facilitate the Group's business expansion requirements for high-end aluminum products and decorative parts.

Since inauguration, the newly-elected US president Trump proposed to bring the automobile manufacturing industry back to the U.S., reduce taxation on domestic enterprises, and impose heavy tariffs to prevent the automobile manufacturing capacity relocating to Asia and Mexico. The new policy may force OEMs to adapt changes in capacity by adjusting launch plans. The new policy may also cause cyclical slide in new car sales in the US market. Withdrawal from the Trans-Pacific Partnership (TPP) and reconsideration of regional and global trade agreements such as NAFTA and WTO imply a more protectionist trade policy by the US government in favor of domestic manufacturers. As such, imported automobiles and spare parts may be exposed to the risk of high tariffs. On Trump's campaign trail, he claimed that China was an exchange rate manipulator and proposed a 45% punitive tariff on Chinese products, though it is hard to assess the possibility of a full implementation. In response to the above new policies and possible measures to be adopted by the Trump administration, the Group will assess the situation and respond actively to make relevant preparations in time. Following the investments by major OEMs to expand their manufacturing capacity in the U.S., changes are expected in local supply system. Thus, the Group will leverage on the chance to secure local business and joint ventures in the U.S. with close attention to monitor the fluctuation of production order forecast among major OEMs, so as to adjust its investment and layout and improve its operating capability in the U.S. The Group will also strengthen the management of its exported products and overseas business, adjust the existing layout of the supply chain and manufacturing bases, expand overseas source for procurement to respond to potential tax hikes by the U.S. on imported Chinese products. The Group will also diversify its export markets by setting Thailand and other emerging countries in Eastern Europe as the second and third export bases so as to reduce the export reliance on a single market. Furthermore, the Group will improve its product quality by ensuring consistent manufacturing standard and quality for its products all over the world to enhance the Group's competitiveness in the international market, in addition to flexibly applying preferential policies in respective regions such as tax incentives and early tax and exchange rate planning to improve the Group's operational capability around the globe.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities 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. Ms. Yu Zheng and Mr. He Dong Han, being non-executive Directors, and Dr. Wang Ching and Mr. Zhang Liren, being independent non-executive Directors, were unable to attend the 2016 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, 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 formal trial dates for the court proceedings have not yet been fixed.

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 2016 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 HKD0.680 per share to shareholders whose names appear on the register of members of the Company on Thursday, 8 June 2017 and the proposed final dividend will be paid on or about Tuesday, 20 June 2017. 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, 31 May 2017.

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 2016 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 Thursday, 25 May 2017, 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 Thursday, 25 May 2017 to Wednesday, 31 May 2017 (both days inclusive) during which period 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 Wednesday, 24 May 2017.

Shareholders whose names appear on the Company's register of members on Thursday, 8 June 2017, will qualify for the proposed final dividend. The Company's transfer books and register of members will be closed from Tuesday, 6 June 2017 to Thursday, 8 June 2017 (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, 5 June 2017. 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 Tuesday, 20 June 2017 to shareholders whose names appear on the register of members of the Company on Thursday, 8 June 2017. The shares will trade ex-dividend on Friday, 2 June 2017.

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
Shi Jian Hui
Chairman

Hong Kong, 21 March 2017

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