MINTH GROUP LIMITED
敏實集團有限公司

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

ANNUAL REPORT
2017

CORE VALUES

- Integrity
- Trust
- Teamwork
- Embrace change

VISION

We create beauty in motion with intelligence

MISSION

Make automobiles lighter, prettier and more intelligent

TARGET

To be the top 60 global auto parts supplier in 2021

MIX
Paper from responsible sources
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This annual report is printed on environmental paper

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

CORPORATE INFORMATION

THE BOARD OF DIRECTORS

Executive directors

Chin Jong Hwa *(Chairman and Chief Executive Officer as redesignated on 10 August 2017)*
Shi Jian Hui *(resigned on 10 August 2017)*
Zhao Feng
Bao Jian Ya *(resigned on 31 May 2017)*
Chin Chien Ya
Huang Chiung Hui

Independent non-executive directors

Wang Ching
Wu Fred Fong
Yu Zheng

COMPANY SECRETARY

Yi Lei Li *(appointed on 8 February 2018)*
Loke Yu *(resigned on 8 February 2018)*

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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Website: www.minthgroup.com

OFFICE IN HONG KONG

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PRINCIPAL BANKERS

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

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

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law
Reed Smith Richards Butler
20th Floor Alexandra House
18 Chater Road
Central, Hong Kong

As to PRC Law
Zhejiang T&C Law Firm
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1 Hangda Road, Hangzhou
China

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

STOCK CODE

SEHK Code: 0425

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the last five financial years is as follows:

	For the year ended 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Result					
Turnover	5,510,385	6,683,880	7,654,123	9,399,992	**11,384,495**
Profit before tax	1,225,202	1,355,762	1,568,777	2,118,599	**2,488,296**
Income tax expense	(195,788)	(202,834)	(249,065)	(339,172)	**(395,564)**
Profit for the year	1,029,414	1,152,928	1,319,712	1,779,427	**2,092,732**
Attributable to:					
Owners of the Company	971,338	1,117,605	1,271,677	1,719,141	**2,025,254**
Non-controlling interests	58,076	35,323	48,035	60,286	**67,478**
	1,029,414	1,152,928	1,319,712	1,779,427	**2,092,732**

	As at 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Assets and Liabilities					
Total assets	11,492,628	12,851,070	13,155,917	15,050,712	**18,108,962**
Total liabilities	(3,774,182)	(4,305,599)	(3,749,501)	(4,195,006)	**(5,710,857)**
	7,718,446	8,545,471	9,406,416	10,855,706	**12,398,105**
Equity attributable to owners of the Company	7,456,752	8,288,552	9,192,237	10,597,514	**12,113,134**
Non-controlling interests	261,694	256,919	214,179	258,192	**284,971**
	7,718,446	8,545,471	9,406,416	10,855,706	**12,398,105**

CHAIRMAN'S STATEMENT

Dear Shareholders,

It's a great pleasure to join hands with you in 2018. We are standing in a new era that the automotive industry is undergoing momentous changes. The combinations of trends of internet-connected vehicles and car sharing, autonomous driving, new energy vehicles and lightweight will continue to trigger changes in automotive parts industry. Meanwhile, the digital revolution is driving the industry's cross-border and restructuring, which comes with risks and opportunities. It is gratifying that in the past year we improved the automation level of our facilities for traditional products and have become one of the best suppliers of premium original equipment manufacturers ("OEMs") including Toyota, Honda, Nissan, GM, Volkswagen, BMW and Daimler. We had been dedicated to improving the image of our customers, and centralized our Company's core resources to establish the Innovation Research Center with its focus on product extension and innovation based on traditional products and development of new products in line with the industry trend. Every step of the aforesaid is to fully prepare for our changes, aiming to seize opportunities and make a great progress when facing opportunities and challenges.

In 2018, we will face both opportunities and challenges. However, we will not fear challenges but will embrace relevant changes proactively and operate our business with forward-thinking of the internet and ecosystem to gain insights of industry trends, so as to keep pace with the era and be a pioneer in fierce competition. In 2018, we will further promote the construction of the "mega site" and upgrade the automation of our existing production facilities as well as optimize internal processes. We will continue to focus on the areas of lightweight, new energy, intelligence, and autonomous driving technology with our most advanced production processes and technologies to build core competitiveness of our products; using a broader landscape and thoughts to collaborate with customers in depth and achieving the goal of winning global orders. We will also target at the needs of our customers, grasp the market dynamics, and create innovative products that are more in line with the era and stand at the forefront of the market. At the same time, we will also actively proceed with the product strategy of modulization to provide customers with system integration solutions.

In the era of globalization, to forge ahead in the rapid industrial changes, we must adhere to the "unity" concept that cooperates with partners to seek common development rather than a single company fighting alone. Externally, we develop products together with our customers and become a trusted global strategic partner of customers. This is an indication of our cooperative relationship with customers and partners, which is also critical in supporting our foothold in global competition. Internally, we need a united team that combines employee's individual development with business planning of the Company. This is "common pursuit" which is not just a slogan, but our operating philosophy of working together. While "common" means that every employee should take the development of the Company as their own responsibility, establish their own work goals based on the Company's operating goals, grow together with the Company, and achieve a win-win situation. Only if employees' values and corporate values are aligned and a common vision is built can we form a community creating synergy. This is also the driving force behind sustainable business development. Win-win cooperation allows us to find common interest, and lays the foundation for common progress.

In this era, every company confronts crisis no matter how large that company is. Only through constant self-disruption can we establish a foothold in the present; only by actively changing can we lead the Company to a better future. As we stand at the forefront of technology and innovation in the era, when we strengthen cooperation and build a common vision, we will have no fear of the difficulties and challenges we face in the future, and realize the ambitious goal of strong growth and sustainable operation.

CHIN JONG HWA
Chairman
20 March 2018

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 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 segment markets, 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, emblems for adaptive cruise control system ("ACC 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 lines 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 to proceed 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 GAC Motor, Geely 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 NEVs, 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 for NEVs, surface treatment, checking fixtures and automation.

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, dedicated to the innovation of process technology, research of extended products and development verification of 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 in the areas of 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.

Corporate Social Responsibility

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

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 to proceed 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. 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 respect of the caring for its employees, the Group attaches importance to the mental and physical health of the employees. It has established infirmaries, mental health counselling centers in the principal subsidiaries. In addition to the social insurance coverage for the employees in pursuant with the requirements, the Group has purchased additional supplementary commercial insurance for the employees. Multi-level talent development and training programs are in place to enhance the professional skills of the staff, such as GMTP (General Manager Training Program), MTP (Manager Training Program), SMTP (Senior Manager Training Program), TTT (Train the Trainer) and Turbo Program.

In respect of the supplier management, the Group implemented a mutual sustainable development culture for supplier management. It strictly forbids business corruption of suppliers and upholds an honest and integrity relationship with suppliers. During the Review Year, the Group made more efforts on anti-corruption and provided various forms of education for staff on the relevant subjects including internal presentations and seminars conducted by outside legal counsels. Meanwhile, the Group also reinforced the procurement system and internal audit for the Group and its subsidiaries.

The Group concerns about the education matters in China's poverty-stricken areas and the welfare of the disabled people all along. In 2005, the Group proposed to set up the Minth charity fund. In 2010, the Group's donation to the Ningbo Charity Society were used to set up the "Minth Charity Fund" (敏實慈善愛心基金). In 2013, the Group sponsored the "Zhejiang Minth Foundation" (浙江省敏實愛心基金會), continuing its care for the education in the poverty-stricken areas in China and the promotion of public welfare and charity activities, with the principle of dedication and sharing of love (匯聚愛心，讓愛傳遞). The Group launches and supports various charity programs such as Hope for Pearl (撿回珍珠計劃), Yi Children Class (彝族兒童班), Character Education Program (品格教育計劃), Pearl Polishing Program (擦亮珍珠計劃), Vocational Education Program for Pearl (珍珠職業教育計劃), Donation Shop (愛心格子鋪), education programs for remote mountainous areas, College Student Leadership Training Program, "Enjoyable Reading" Project for Children (讀享童年計劃) as well as the Nutritious Lunch Program. During the Review Year, the Group funded 254 Pearl students (1,492 students in aggregate), and provided continuous funding to the education of 50 Yi children from Liangshan Yi Autonomous Prefecture of Sichuan Province.

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:

Customer category	2017 RMB'000	2017 %	2016 RMB'000	2016 %
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 Market

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), 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.

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 offers 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.

FUTURE PROSPECTS

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.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Chin Jong Hwa (秦榮華) ("Mr. Chin"), aged 59, is the Chairman, Chief Executive Officer ("CEO") and an executive Director of the Company and director of various subsidiaries of the Company. He founded the Group in March 1997 and is the controlling shareholder of the Company. Mr. Chin graduated from China Urban Administration College. Mr. Chin has experience of over 30 years in management in the auto-parts industry and has been leading the management team since the founding of the Group. Mr. Chin was also active in various other organizations, including being a vice-chairman of Ningbo Association of Enterprise with Foreign Investments, a director of the Ningbo Polytechnic, a consultant to the Ningbo People's Political Consultative Conference for Hong Kong, Macao and Taiwan affairs and an executive vice-chairman of Jiaxing Association of Enterprises with Investments from Taiwan. Mr. Chin was awarded the titles of Honorary Citizen in Ningbo, Jiaxing and Huai'an, and the Economic Person of 2010 in Huai'an as well. He was appointed as a Director of the Company on 14 July 2005. On 10 August 2017, Mr. Chin was redesignated from Honorary Chairman and non-executive Director to Chairman and executive Director. As at 31 December 2017, Mr. Chin was interested in approximately 39.37% shareholding interest in the Company through Minth Holdings Limited, a company wholly owned by Mr. Chin, which held 449,072,000 shares of the Company ("Shares"). As at 31 December 2017, save as aforesaid, Mr. Chin has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Zhao Feng (趙鋒) ("Mr. Zhao"), aged 49, is the Vice President and an executive Director of the Company and director of various subsidiaries of the Company, with the overall responsibilities for the Group's sales. Mr. Zhao has over 15 years of experience in management. Since joining the Group in 1999, Mr. Zhao has worked successively as a purchase officer, manager of the business department and deputy general manager of business operations. Mr. Zhao was appointed as a Director on 22 December 2006. As at 31 December 2017, Mr. Zhao was interested in 1,100,000 Shares and 800,000 Share Options in the Company. Since Mr. Zhao is the spouse of Ms. Zhu Chun Ya ("Ms. Zhu"), he is deemed to be also interested in the 100,000 Shares in which Ms. Zhu was interested. Accordingly, Mr. Zhao was interested in 1,200,000 Shares and 800,000 Share Options in the Company. As at 31 December 2017, save as disclosed herein, Mr. Zhao has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Chin Chien Ya (秦千雅) ("Ms. Chin"), aged 29, is an executive Director of the Company. Ms. Chin supports the operation of Minth North America including US and Mexico, and is responsible for the finance and accounting departments of North American operations. Furthermore, she is also responsible for evaluating M&A and new projects. Ms. Chin graduated from Boston College, majoring in Business Management, Accounting and Theoretical Mathematics and later obtained her master's degree from the Harvard Graduate School of Education, researching in adult and organization training, education and development. Prior to joining the Group, she was responsible for operations and marketing in a startup company in Taiwan, and afterwards worked in public relations, providing consulting services for international companies on corporate social responsibility. Ms. Chin was appointed as a Director on 26 May 2016, and she is the daughter of Mr. Chin Jong Hwa. As at 31 December 2017, Ms. Chin has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Huang Chiung Hui (黃瓊慧) ("Ms. Huang"), aged 46, is an executive Director of the Company and the Chief Human Resources Officer ("CHO") of the Group. Ms. Huang is a seasoned senior HR executive and brings with her more than 20 years of global HR experience from the banking and manufacturing industries such as Citigroup (in New York Headquarters, Singapore and Taiwan), Taiwan Cement, and ANZ Banking Group. Prior to joining the Group, she has been in various senior HR leadership roles and particularly focused on driving talent strategy and solutions, organizational development, global leadership development initiatives, M&As and HR transformations. Ms. Huang graduated from National Tsing Hua University where she majored in Economics and obtained her MBA (in Human Resources Management) from City University Business School in London, UK. Ms. Huang was nominated as CHO of the Group on 1 September 2014, and was appointed as a Director on 26 May 2016. As at 31 December 2017, Ms. Huang was interested in 1,000,000 Share Options in the Company. Since Ms. Huang is the spouse of Mr. Bau Hsin Hong ("Mr. Bau"), she is deemed to be also interested in the 530,000 Share Options in which Mr. Bau was interested. Accordingly, Ms. Huang was interested in 1,530,000 Share Options in the Company. As at 31 December 2017, save as disclosed herein, Ms. Huang has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Independent Non-executive Directors

Wang Ching (王京) ("Dr. Wang"), aged 63, is an independent non-executive Director and the chairman of the nomination committee of the Company ("Nomination Committee"). Dr. Wang has over 26 years' managerial experience in investment banking, securities, treasury and asset management in the United States, Hong Kong, Taiwan and the PRC. He is currently the executive director of Shanghai International Asset Management (HK) Co., Ltd., a licensed corporation registered with Hong Kong Securities and Futures Commission and the executive director of Shanghai International Shanghai Growth Investment Limited, an investment fund company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Dr. Wang also serves as an independent non-executive director of China Singyes Solar Technologies Holdings Limited, a listed Company on the Stock Exchange, in which he advises the management on financial development and internal control. Dr. Wang received his doctorate degree from the Graduate School of Business, Columbia University in 1992. Dr. Wang joined the Company as an independent non-executive Director on 26 October 2005. As at 31 December 2017, save for his interest in 80,000 Share Options in the Company, Dr. Wang has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Wu Fred Fong (胡晃) ("Mr. Wu"), aged 70, is an independent non-executive Director and Chairman of the audit committee of the Company ("Audit Committee"). Mr. Wu has considerable directorship and corporate governance experience and has been involved in auditing, corporate planning, corporate finance, investment, consulting with public companies in Canada and Hong Kong. Mr. Wu holds an MBA degree in the Schulich School of Business, York University, Canada. Mr. Wu is a Chartered Accountant qualified in Canada and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wu is currently an independent non-executive director of Sheng Yuan Holding Limited, a company listed on the Main Board of the Stock Exchange. Mr. Wu joined the Company as an independent non-executive Director on 1 January 2009. As at 31 December 2017, save for his interest in 140,000 Share Options in the Company, Mr. Wu has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Yu Zheng (鄭豫) ("Ms. Zheng"), aged 49, is an independent non-executive Director and Chairman of the remuneration committee of the Company ("Remuneration Committee"). Ms. Zheng is a partner at Advantage Partners Asia fund. She has extensive experience in private equity, management consultancy and corporate management over the last 20 years. She was the managing director at PineBridge Investments (former AIG Investments) from 2008 to 2012. Ms. Zheng was also a senior partner at Roland Berger Strategy Consultants and a Principal with the Boston Consulting Group. Ms. Zheng also served as president of the sales company of Brilliance Auto Group from 2003 to 2004. In addition, she has been serving Fufeng Group (a company listed on the Stock Exchange) as an independent non-executive director. She also worked in the computer industry for years in China and the U.S. Ms. Zheng has a bachelor's degree of science in Computer Science from Beijing Normal University and an MBA from the University of Texas at Austin. Ms. Zheng joined the Group and was appointed as a non-executive Director of the Company on 1 January 2008, and was redesignated as an independent non-executive Director of the Company on 26 May 2016. As at 31 December 2017, Ms. Zheng was interested in 200,000 Share Options in the Company. Since Ms. Zheng is the spouse of Mr. Wei Wei ("Ms. Wei"), she is deemed to be also interested in the 550,000 Shares in which Mr. Wei was interested. Accordingly, Ms. Zheng was interested in 550,000 Shares and 200,000 Share Options in the Company. As at 31 December 2017, save as disclosed herein, Ms. Zheng has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

Yi Lei Li (易蕾莉) ("Ms. Yi"), aged 44, is the Company Secretary of the Company. Ms. Yi graduated from East China Normal University in 1994 where she majored in English Language and Literature. Prior to joining the Group in February 2001, she was a lecturer at the Faculty of Foreign Languages in Ningbo University. Ms. Yi has over 15 years of experience in the Company's business and operation through her successive roles as manager of the Human Resources Department, manager of Overseas Business Development Department, assistant to general manager and the head of the Investor Relations Department of the Group. Ms. Yi was appointed as the Company Secretary of the Company on 8 February 2018. As at 31 December 2017, save for her interest in 90,000 Shares and 330,000 Share Options in the Company, Ms. Yi has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Chen Ching Ming (陳淨銘) ("Dr. Chen"), aged 58, is the COO of the Group. Dr. Chen received his PhD of Mechanical Engineering from Auburn University, USA in 1992. Dr. Chen is a seasoned senior executive with a solid track record in automotive parts industry. Prior to joining the Group in September 2015, he worked for TRW and Delphi Automotive in various senior roles and functions, and most recently worked for Autoliv as president for greater China. Dr. Chen has abundant experience in multiple areas of leadership and development of cross-functional teams, operational P&L management, strategic business development, supply chain management, and lean manufacturing system implementation. Dr. Chen was nominated as COO of the Group on 1 September 2015. As at 31 December 2017, Dr. Chen has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Sung Hsiang Ling (宋香齡) ("Ms. Sung"), aged 45, is the Chief Financial Officer ("CFO") of the Group. Ms. Sung has over 19 years of experience in the accounting, finance and tax field internationally. Prior to joining the Group, Ms. Sung was the CFO for Taiwan and HK listed companies (TSC Auto ID Group and Sandmartin Group). From 2007 to 2013, Ms. Sung was with HTC Corp (a listed company in Taiwan) where she served as the Finance Head of HTC China and Global Tax Director. Ms. Sung received her B.A. degree in Public Finance from University of Taipei in Taiwan, and she obtained her MBA degree from Reims Management School in France as well as Master's degree in Accounting from University of Soochow in Taiwan. Ms. Sung joined the Group in April 2017 and was appointed as CFO in May 2017. As at 31 December 2017, Ms. Sung has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

Jin Zheng Xun (金正勛) ("Mr. Jin"), aged 44, is the General Manager of the Group's overseas sales. Mr. Jin graduated from China Institute of Metrology in 1997, and obtained Master's degree from the Otto-von-Guericke University of Magdeburg in Germany in 2003 majoring in Mechanical Engineering. Mr. Jin joined the Group in April 2004 and has worked as manager of Quality Control Department, manager of Overseas Business Development Department, assistant to general manager, the General Manager of North America Operations and the General Manager of Europe Operations of the Group. As at 31 December 2017, save for his interest in 54,000 Shares and 76,000 Share Options in the Company, Mr. Jin has no interests in the Shares of the Company within the meaning of Part XV of the SFO.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Group commits to maintaining and ensuring a high level of corporate governance standards and continuously reviews and improves its corporate governance and internal control practices. Set out below are the principles of corporate governance as adopted by the Company during the Review Year.

DISTINCTIVE ROLES OF CHAIRMAN, CHIEF EXECUTIVE OFFICER AND SENIOR MANAGEMENT

From 1 January 2017 to 10 August 2017, Mr. Shi Jian Hui ("Mr. Shi") was the Chairman of the Board and CEO and was responsible for leading the Board in establishing and monitoring the implementation of strategies and plans to create values for Shareholders, managing the operations of the Group's businesses, proposing strategies to the Board and the effective implementation of the strategies and policies adopted by the Board.

With effect from 10 August 2017, Mr. Shi ceased to be the Chairman of the Board and CEO, and Mr. Chin was redesignated as the Chairman of the Board and CEO.

Paragraph A.2.1 of the Corporate Governance Code provides that the chairman and chief executive officer should be separate and should not be performed by the same individual. The Board was of the view that the above arrangement was in the best interest of the Group, with the business of the Group predominantly managed on a daily basis by Mr. Chin. The Board held periodical meetings to consider major matters related to the Group's operations and believed that such structure will not harm the balance of power and authority between Directors as Mr. Chin was one out of a total of seven Directors at the relevant time. The other executive Directors are designated for different functions, which are supplementary to the role of the chairman and chief executive officer. The Board believes that such structure will help to strengthen and implement the leadership and facilitate the effective operation of the Group. The structure is therefore in the interest of the Company and its shareholders as a whole. Meanwhile, the Company is actively considering succession planning, including grooming talented candidates internally and searching for a CEO externally. Mr. Chin is expected to continue as CEO pending the appointment of a new CEO.

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

THE BOARD

As of 31 December 2017, there are seven members on the Board, which are the Chairman and CEO, three other executive Directors and three independent non-executive Directors ("INEDs").

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

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

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

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

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

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

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

(v) to review the Company's compliance with the Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report.

The Board met six times during the Review Year and the Directors' attendance is shown in the table on page 23 of the annual report.

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

Save for their business relationships as a result of their respective directorships and positions in the Company and what is disclosed in their biographies on page 17 to page 18 of the annual report, each of the members of the Board, including the Chairman and the CEO, does not have any significant financial, business, family or other material/relevant relationship among one another.

AUDIT COMMITTEE

The Group has established an Audit Committee with written terms of reference as suggested under the Code. As of 31 December 2017, the Audit Committee comprises all INEDs, namely Mr. Wu, Dr. Wang and Ms. Zheng. As of 31 December 2017, the chairman of the Audit Committee was Mr. Wu. Each member can bring to the Audit Committee his or her valuable experience in reviewing financial statements and evaluating significant control and financial issues of the Group who among themselves possess a wealth of management experience in the accounting profession or commercial sectors. The Audit Committee held two meetings during the Review Year and the relevant Directors' attendance is shown in the table on page 23 of the annual report.

The main duties of the Audit Committee are as follows:

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

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

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

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

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

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

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

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

REMUNERATION COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

As of 31 December 2017, the Remuneration Committee comprises all three INEDs namely Mr. Wu, Dr. Wang, and Ms. Zheng. Ms. Zheng was the Chairman of the Remuneration Committee.

The Remuneration Committee held two meetings during the Review Year to discuss remuneration related matters including determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts and the relevant Directors' attendance is shown in the table set out on page 23 of the annual report.

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

Details of the amount of Directors' emoluments are set out in note 11 to the consolidated financial statements and details of the 2012 Share Option Scheme are set out in the Directors' Report and note 37 to the consolidated financial statements.

NOMINATION COMMITTEE

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

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

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

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

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

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

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

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

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

As of 31 December 2017, the Nomination Committee comprises all three INEDs, namely Mr. Wu, Dr. Wang and Ms. Zheng. Dr. Wang was the Chairman of the Nomination Committee.

During the Review Year, the Nomination Committee held two meetings to (i) review the structure, size and composition (including the gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board; (ii) assess the independence of INEDs; and (iii) adopt the Board diversity policy. Directors' attendance is shown in the table set out on page 23 of the annual report.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. The Nomination Committee considered the current composition of the Board to be appropriate taking into account the above.

SHAREHOLDERS' RIGHTS

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

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

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

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

Composition of the Board and the Directors' attendance record for the year ended 31 December 2017

	2017 extraordinary general meeting	2017 annual general meeting ("AGM")	The Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of Meetings	1	1	6	2	2	2
Executive Directors						
Chin Jong Hwa *(Chairman and Chief Executive Officer as redesignated on 10 August 2017)*	0	0	6	N/A	N/A	N/A
Shi Jian Hui *(resigned on 10 August 2017)*	1	1	3	N/A	N/A	N/A
Zhao Feng	0	0	6	N/A	N/A	N/A
Bao Jian Ya *(resigned on 31 May 2017)*	0	0	2	N/A	N/A	N/A
Chin Chien Ya	0	0	6	N/A	N/A	N/A
Huang Chiung Hui	0	0	6	N/A	N/A	N/A
Independent Non-executive Directors						
Wang Ching	1	1	6	2	2	2
Wu Fred Fong	1	0	6	2	2	2
Yu Zheng	0	0	6	2	2	2

INDEPENDENCE INFORMATION

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

DIRECTOR'S TRAINING AND DEVELOPMENT

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

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

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

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

	Corporate Governance/ Updates on Laws, rules and Regulations/ Updates on Industry Specific	
	Written Materials	**Briefings/Seminars**
Executive Directors		
Chin Jong Hwa *(redesignated on 10 August 2017)*	✓	✓
Shi Jian Hui *(resigned on 10 August 2017)*		
Zhao Feng	✓	✓
Bao Jian Ya *(resigned on 31 May 2017)*		
Chin Chien Ya	✓	✓
Huang Chiung Hui	✓	✓
Independent Non-executive Directors		
Wang Ching	✓	✓
Wu Fred Fong	✓	✓
Yu Zheng	✓	✓

AUDITOR'S REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the Review Year, the Company was required to pay an aggregate of approximately RMB3,430,000 to the external auditor for its audit services.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

INVESTOR RELATIONS AND COMMUNICATION

Through its Investor Relations Department, the Company maintains proactive communications with investors, analysts and other capital market participants so as to enable them to fully understand the operation and development of the Group. The Company's senior management presents the annual results briefing and interim results conference call every year. Through various activities such as analyst meetings and road shows, senior management provides the capital market with the updates of important information and responds to key questions which are of prime concerns to the investors. This has helped to reinforce the understanding of the Company's business and the overall development of the industry. The Company held its AGM in Hong Kong over the past years. The Company would like investors to better understand its achievements in the automation of its facilities for traditional products, and decided to hold the forthcoming AGM in Mainland China. Shareholders are encouraged to attend the AGM, witness the Company's business operations in person and voice any concerns or suggestions, so as to facilitate the direct communication between the Board and Shareholders.

The Group thoroughly maintains and enhances its transparency. Financial reports, public announcements and calendar of events of the Company are available to investors through its website http://www.minthgroup.com. The Company attaches great importance to maintaining daily communications with investors and analysts. During the Review Year, the Company accommodated over 130 visits and conference calls for investors or analysts, and participated in 15 investment forums, 5 of which were held by Chinese brokers so as to enhance communication between the Company and Southbound Mainland Chinese investors. In addition, during the Review Year, plant tours at the Group's facilities in Jiaxing, Huai'an, Ningbo and Guangzhou were arranged for investors and analysts to better understand the products, production and operations of the Group.

The Company was recognized as an Honored Company by the *Institutional Investor* during its 2017 All-Asia (ex-Japan) Executive Team survey, and ranked among the top 3 companies in the Autos & Auto Parts sector in 3 categories, namely Best CEO, Best Investor Relations Professional and Best Investor Relations. The Company would like to express its heartfelt gratitude to both buy-side and sell-side analysts for their recognition, and its investor relations team will continue to work down to earth and adhere to high compliance standard, so as to provide the investment community with more professional services.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for preparing the accounts and the reporting responsibilities of the external auditor to the Shareholders are set out on page 38 of the annual report.

LOOKING FORWARD

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

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the Review Year are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 40 of the annual report.

DIVIDENDS

The Board recommends the payment of a final dividend of HKD0.850 per Share for the Review Year to the Shareholders on the Company's register of members on 7 June 2018.

PROPERTY, PLANT AND EQUIPMENT

During the Review Year, the Group incurred approximately RMB2,140,820,000 for the acquisition of property, plant and equipment. Details of these and other movements in property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL AND RESERVES

During the Review Year, the Company has issued 10,189,900 Shares as a result of the exercise of Share Options granted pursuant to the 2012 Share Option Scheme. The total consideration received by the Company for such issue during the Review Year amounted to HKD151,733,472.

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

Movements in the reserves of the Group and the Company during the Review Year are set out in the Consolidated Statement of Changes in Equity on page 43 of the annual report.

The Company's reserves available for distribution represent the share premium, reserves and profit which in aggregate amounted to approximately RMB5,720 million as at 31 December 2017. Under the Companies Law, Cap 22 (Law 3 of 1961, consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to Shareholders subject to the provisions of the Company's memorandum and Articles and provided that immediately following the date on which distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles, dividends may be declared and paid out of the profits of the Company, realised or unrealised or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividend may also be declared and paid out of share premium account of the Company.

DEBENTURES

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

FINANCIAL SUMMARY

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

MAJOR SUPPLIERS AND CUSTOMERS

For the Review Year, the largest customer accounted for approximately 7.7% of the Group's revenue, and the five largest customers accounted for approximately 30.0% of the Group's revenue.

The purchases for the Review Year attributable to the Group's largest supplier and five largest suppliers were approximately 2.5% and approximately 7.2% of the Group's total cost of goods sold respectively.

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

DONATION

During the Review Year, the donations made by the Group amounted to approximately RMB275,000 (2016: approximately RMB1,433,000).

DIRECTORS

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

Executive directors
Chin Jong Hwa *(Chairman and Chief Executive Officer as redesignated on 10 August 2017)*
Shi Jian Hui *(resigned on 10 August 2017)*
Zhao Feng
Bao Jian Ya *(resigned on 31 May 2017)*
Chin Chien Ya
Huang Chiung Hui

Independent non-executive directors
Wang Ching
Wu Fred Fong
Yu Zheng

In accordance with Article 87 of the Articles, Ms. Bao retired from office at the 2017 AGM. Ms. Bao did not offer herself for re-election and her directorship with the Company ceased on 31 May 2017. Mr. Shi resigned as an executive Director, Chairman of the Board and CEO of the Company with effect from 10 August 2017 as he would like to pursue other business opportunities. Mr. Chin (the then non-executive Director and Honorary Chairman of the Board) was redesignated as the executive Director and resumed his position as Chairman of the Board and assumed his position as CEO of the Company with effect from 10 August 2017.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' SERVICE CONTRACTS

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENT

The remuneration paid to the Directors, by name, for the year ended 31 December 2017 is set out in note 11 to the consolidated financial statements.

The remuneration of senior management, by band, for the year ended 31 December 2017 is set out below:

	2017 No. of employees	2016 No. of employees
Hong Kong dollars ("HK$") 500,001 to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	1
HK$6,000,001 to HK$6,500,000	**–**	1

Note: The figures in the table include Dr. Loke Yu, the former company secretary of the Company who resigned on 8 February 2018.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management are set out on pages 17 to 19 of the annual report.

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

As at 31 December 2017, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

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

Name of Director	**Company/ Name of Associated Corporation**	**Long/Short Position**	**Capacity**	**Total Number of Ordinary Shares**	**Percentage of the Company's Issued Share Capital as at 31 December 2017** (Note 1)
Chin Jong Hwa	Company	Long position	Interest of controlled corporation	449,072,000 (Note 2)	39.37%
Shi Jian Hui	Company	Long position	Beneficial owner	1,398,000 (Note 3)	0.12%
Zhao Feng	Company	Long position	Beneficial owner Interest of spouse	1,900,000 100,000 (Note 4)	0.17% 0.01%
Bao Jian Ya	Company	Long position	Beneficial owner	330,000 (Note 5)	0.03%
Huang Chiung Hui	Company	Long position	Beneficial owner Interest of spouse	1,000,000 530,000 (Note 6)	0.09% 0.05%
Wu Fred Fong	Company	Long position	Beneficial owner	140,000 (Note 7)	0.01%
Wang Ching	Company	Long position	Beneficial owner	80,000 (Note 7)	0.01%
Yu Zheng	Company	Long position	Beneficial owner Interest of spouse	200,000 550,000 (Note 8)	0.02% 0.05%

Note 1: The percentage of the Company's issued share capital is based on the 1,140,543,900 Shares issued as at 31 December 2017.

Note 2: As at 31 December 2017, Minth Holdings Limited ("Minth Holdings") is beneficially interested in 449,072,000 Shares. Minth Holdings is wholly-owned by Mr. Chin and he is therefore deemed to be interested in the entire 449,072,000 Shares held by Minth Holdings. Mr. Chin was redesignated as Chairman of the Board and executive Director on 10 August 2017.

Note 3: This figure represents the aggregated number of 398,000 Shares held by Mr. Shi and 1,000,000 Share Options granted to Mr. Shi under the 2012 Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Shi will acquire an aggregate of 1,398,000 Shares. Mr. Shi resigned as Chairman of the Board and executive Director on 10 August 2017.

Note 4: These figures represent (i) the aggregated number of 1,100,000 Shares held by Mr. Zhao and 800,000 Share Options granted to Mr. Zhao under the 2012 Share Option Scheme that are exercisable and (ii) 100,000 Shares held by Ms. Zhu. Upon exercise of the Share Options, Mr. Zhao will acquire an aggregate of 1,900,000 Shares. Since Mr. Zhao is the spouse of Ms. Zhu, he is deemed to be interested in the aforesaid Shares in which Ms. Zhu is interested.

Note 5: This figure represents the aggregated number of 330,000 Share Options granted to Ms. Bao under the 2012 Share Option Scheme that are exercisable. Upon exercise of the Share Options, Ms. Bao will acquire an aggregate of 330,000 Shares. Ms. Bao resigned as executive Director on 31 May 2017.

Note 6: These figures represent (i) 1,000,000 Share Options granted to Ms. Huang under the 2012 Share Option Scheme that are exercisable and (ii) 530,000 Shares Options granted to Mr. Bau under the 2012 Share Option Scheme that are exercisable. Upon exercise of the Share Options, Ms. Huang will acquire 1,000,000 Shares. Since Ms. Huang is the spouse of Mr. Bau, she is also deemed to be interested in the aforesaid Shares in which Mr. Bau is interested.

Note 7: These figures represent the number of Share Options granted to Mr. Wu and Dr. Wang under the 2012 Share Option Scheme that are exercisable. Upon exercise of the Share Options, Mr. Wu and Dr. Wang will acquire 140,000 Shares and 80,000 Shares, respectively.

Note 8: These figures represent (i) 200,000 Share Options granted to Ms. Zheng under the 2012 Share Option Scheme that are exercisable and (ii) 550,000 Shares held by Mr. Wei. Upon exercise of the Share Options, Ms. Zheng will acquire 200,000 Shares. Since Ms. Zheng is the spouse of Mr. Wei, she is deemed to be interested in the aforesaid Shares in which Mr. Wei is interested.

Other than as disclosed above, as at 31 December 2017, none of the Directors, chief executives and their associates had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SHARE OPTION SCHEMES

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

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

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

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

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

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

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

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

As at the date of the annual report, the number of Share Options that could still be granted under the 2012 Share Option Scheme was 70,025,000, representing approximately 6.12% of the 1,144,085,000 Shares in issue as at 20 March 2018, being the date of the annual report.

Details are as follows:

Name and category of participants	Outstanding as at 1 January 2017	Granted during the Review Year	Exercised during the Review Year	Lapsed during the Review Year	Outstanding as at 31 December 2017	Date of grant (Note 5)	Exercise period (Note 6)	Exercise price of the Share Options (HKD) (Note 7)	Weighted average closing price of Shares immediately before the date(s) on which Share Options were exercised (HKD)
	Number of Share Options (Note 1)								
Directors, chief executives, and substantial Shareholders and their respective connected persons									
Mr. Shi Jian Hui (Note 2)	300,000	–	–	–	300,000	16-1-2014	1-6-2014 to 31-5-2019	15.84	N/A
	700,000	–	–	–	700,000	25-3-2015	1-1-2016 to 31-12-2020	14.08	N/A
Mr. Zhao Feng	250,000	–	150,000	–	100,000	16-1-2014	1-6-2014 to 31-5-2019	15.84	32.55
	700,000	–	–	–	700,000	25-3-2015	1-1-2016 to 31-12-2020	14.08	N/A
Ms. Bao Jian Ya (Note 3)	350,000	–	350,000	–	–	16-1-2014	1-6-2014 to 31-5-2019	15.84	31.94
	700,000	–	370,000	–	330,000	25-3-2015	1-1-2016 to 31-12-2020	14.08	37.76
Ms. Huang Chiung Hui	1,000,000	–	–	–	1,000,000	25-3-2015	1-1-2016 to 31-12-2020	14.08	N/A
Mr. Wu Fred Fong	140,000	–	–	–	140,000	25-3-2015	1-1-2016 to 31-12-2020	14.08	N/A
Dr. Wang Ching	140,000	–	60,000	–	80,000	25-3-2015	1-1-2016 to 31-12-2020	14.08	43.51
Ms. Yu Zheng	200,000	–	–	–	200,000	25-3-2015	1-1-2016 to 31-12-2020	14.08	N/A
Mr. Bau Hsin Hong (Note 4)	350,000	–	–	–	350,000	16-1-2014	1-6-2014 to 31-5-2019	15.84	N/A
	180,000	–	–	–	180,000	25-3-2015	1-1-2016 to 31-12-2020	14.08	N/A
Subtotal	5,010,000	–	930,000	–	4,080,000				
Other Participants	6,678,500	–	4,193,000	–	2,485,500	16-1-2014	1-6-2014 to 31-5-2019	15.84	32.32
	17,887,000	–	5,066,900	293,000	12,527,100	25-3-2015	1-1-2016 to 31-12-2020	14.08	31.26
Subtotal	24,565,500	–	9,259,900	293,000	15,012,600				
Total	29,575,500	–	10,189,900	293,000	19,092,600				

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

Note 2: Mr. Shi resigned as Chairman of the Board and executive Director on 10 August 2017.

Note 3: Ms. Bao resigned as executive Director on 31 May 2017.

Note 4: Spouse of Ms. Huang Chiung Hui, and special assistant to the Chairman of the Company.

Note 5: The closing price of the Shares immediately before the date on which the Share Options were granted on (i) 16 January 2014, i.e. on 15 January 2014 was HKD16.00, and (ii) 25 March 2015, i.e. on 24 March 2015 was HKD14.02.

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

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

During the Review Year, pursuant to the requirements and terms of the 2012 Share Option Scheme, 150,000 Share Options were exercised by Mr. Zhao Feng (executive Director), 720,000 Share Options were exercised by Ms. Bao Jian Ya subsequent to her resignation as an executive Director on 31 May 2017, 60,000 Share Options were exercised by Dr. Wang Ching (independent non-executive Director), 9,259,900 Share Options were exercised by the grantees who are not Directors, and 293,000 Share Options lapsed due to the resignations of the grantees.

Apart from the 2012 Share Option Scheme as disclosed above, no option was granted, exercised, cancelled or lapsed during the Review Year. Particulars of the Company's 2012 Share Option Scheme are set out in note 37 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

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

DIRECTORS' RIGHTS IN PURCHASING SHARES OR DEBENTURE

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

MANAGEMENT CONTRACT

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

SUBSTANTIAL SHAREHOLDERS

(a) Interests or short positions in the Company

As at 31 December 2017, the interests or short positions of substantial Shareholders, other than the Directors or the chief executives of the Company, in the Shares and underlying shares of the Company as recorded in the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO are as follows:

Name of Substantial Shareholder	Capacity	Long/Short Position	Total Number of Ordinary Shares	Percentage of the Company's Issued Share Capital (Note 1)
Wei Ching Lien ("Ms. Wei")	Interest of spouse	Long position	449,072,000 (Note 2)	39.37%
Minth Holdings Limited	Beneficial owner	Long position	449,072,000 (Note 3)	39.37%
Commonwealth Bank of Australia	Interest of controlled corporations	Long position	79,641,000 (Note 4)	6.98%
Matthews International Capital Management, LLC	Investment manager	Long position	68,429,000	6.00%

Note 1: The percentage of the Company's issued share capital of 1,140,543,900 Shares as at 31 December 2017.

Note 2: As at 31 December 2017, Minth Holdings was beneficially interested in 449,072,000 Shares. Minth Holdings was wholly-owned by Mr. Chin and he was therefore deemed to be interested in the entire 449,072,000 Shares held by Minth Holdings. Since Ms. Wei is the spouse of Mr. Chin, Ms. Wei was deemed to be interested in the 449,072,000 Shares in which Mr. Chin was deemed to be interested.

Note 3: As at 31 December 2017, Minth Holdings, a company wholly-owned by Mr. Chin, was beneficially interested in 449,072,000 Shares.

Note 4: As at 31 December 2017, according to the information disclosed to the Company under Division 2 and Division 3 of Part XV of the SFO, these Shares were held by corporations controlled directly or indirectly as to 100% by Commonwealth Bank of Australia.

(b) Interests or short positions in other members of the Group

Member of the Group	Name of the corporation who directly or indirectly owns 10% or more equity in other members of the Group	Percentage of interest in such member of the Group
Guangzhou Minhui Automobile Parts Co., Ltd.	Sankei Giken Holdings Co., Ltd.	30%
Changchun Minth Automotive Parts Co., Ltd.	Changchun Kedi Equipment Technology Co., Ltd.	45%
Minth AAPICO (Thailand) Co., Ltd.	AAPICO Hitech Public Company Limited	40%
Wuhan Tokai Minth Automotive Parts Co., Ltd.	Tokai Kogyo Co., Ltd.	50%
SPTek Limited	Xi Wei Investment Co., Ltd.	10.9%

Other than as disclosed above, as at 31 December 2017, the Company had not been acknowledged by any person of any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of its listed securities during the Review Year.

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into a framework agreement with Jiaxing Futing Mechanical Co., Ltd.*（嘉興富廷機械有限公司）on 28 December 2017 in respect of the Group's purchase of finished or semi-finished moulds and related equipment and auxiliary materials for three years commencing from 28 December 2017 to 27 December 2020. Further details of the framework agreement are set out in the Company's announcement dated 28 December 2017. The Group did not make any purchase pursuant to such framework agreement during the period between 28 December 2017 and 31 December 2017.

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

REMUNERATION POLICY

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

Mr. Chin, the executive Director has agreed to waive his remuneration since 1 March 2007.

The Company has adopted the 2012 Share Option Scheme as an incentive to Directors and eligible employees, details of the 2012 Share Option Scheme are set out on pages 31 to 33 of the annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND COMPLIANCE WITH MODEL CODE

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

EVENT AFTER THE REPORTING PERIOD

On 8 September 2017, Cheerplan (HK) Limited ("Cheerplan (HK)", 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 (HK) 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 of the subscription. As at the date of the annual report, 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.

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

PRE-EMPTIVE RIGHTS

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

AUDITOR

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

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

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

Mr. Chin Jong Hwa
— redesignated from non-executive Director and Honorary Chairman of the Company to executive Director and Chairman of the Company on 10 August 2017 and assumed the duties as chief executive officer of the Company with effect from 10 August 2017

Mr. Shi Jian Hui
— resigned as executive Director and Chairman of the Company on 10 August 2017

Mr. Bao Jian Ya
— resigned as executive Director of the Company on 31 May 2017

By Order of the Board
Minth Group Limited
Chin Jong Hwa
Chairman

Hong Kong, 20 March 2018

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Minth Group Limited and its subsidiaries (together "the Group") set out on pages 40 to 142, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of trade receivables *(Refer to Note 26 to the consolidated financial statements)* We identified the valuation of trade receivables as a key audit matter due to the use of judgment and estimates in assessing the recoverability of trade receivables. In determining the allowance for trade receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables. At 31 December 2017, the carrying amount of trade receivables is RMB2,896,830,000 (net of allowance for doubtful debts of RMB22,037,000).	Our procedures in relation to valuation on trade receivables included: • Obtaining an understanding of how allowance for doubtful debts is estimated by the management and testing the key controls of the Group relating to the preparation of the aging analysis of trade receivables; • Reviewing and testing the aging analysis of the trade receivables, on a sample basis, to the source documents; • Understanding the reasons for those past due but not impaired trade receivable balances and assessing the reasonableness of recoverability of those trade receivables with reference to the credit history of the customers, including default or delay in payments, settlement records; and • Testing subsequent settlements on a sample basis.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Wong Tin Chak, Samuel.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 March 2018

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	5	**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	6	**88,845**	65,234
Other income	7	**263,965**	124,961
Other gains and losses	8	**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	9	**(395,564)**	(339,172)
Profit for the year	10	**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
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 for the year 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	13		
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	14	**6,246,257**	4,956,665
Prepaid lease payments	15	**745,002**	610,033
Goodwill	16	**83,228**	83,228
Other intangible assets	17	**49,978**	42,514
Interests in joint ventures	18	**105,768**	91,889
Interests in associates	19	**355,001**	206,435
Derivative financial assets	27	**30,507**	–
Loans receivable	21	**6,021**	–
Available-for-sale investments	20	**–**	91,190
Deferred tax assets	22	**104,962**	105,124
Prepayment for acquisition of a subsidiary	23	**69,195**	–
Prepayment for acquisition of property, plant and equipment		**255,826**	–
		8,051,745	6,187,078
Current assets			
Prepaid lease payments	15	**18,911**	15,350
Inventories	24	**2,077,761**	1,569,098
Loans receivable	21	**20,816**	–
Property under development	25	**55,352**	341,579
Trade and other receivables	26	**4,017,330**	3,438,171
Derivative financial assets	27	**1,202**	34,443
Pledged bank deposits	28	**16,244**	525,270
Bank balances and cash	28	**3,849,601**	2,939,723
		10,057,217	8,863,634
Current liabilities			
Trade and other payables	29	**2,890,107**	2,529,110
Tax liabilities		**133,237**	121,411
Borrowings	30	**2,493,574**	1,445,875
Derivative financial liabilities	27	**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

	Notes	2017 RMB'000	2016 RMB'000
Capital and reserves			
Share capital	31	**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	32	**284,971**	258,192
Total equity		**12,398,105**	10,855,706
Non-current liabilities			
Deferred tax liabilities	22	**48,265**	71,581
Retirement benefit obligation	38	**15,646**	20,443
Derivative financial liabilities	27	**2,879**	–
Other long-term liability	39	**101,412**	–
		168,202	92,024
		12,566,307	10,947,730

The consolidated financial statements on pages 40 to 142 were approved and authorised for issue by the board of directors (the "Board") on 20 March 2018 and are signed on its behalf by:

Chin Jong Hwa	**Zhao Feng**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve fund RMB'000	Enterprise expansion fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Share options reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016	111,570	3,324,905	276,199	42,210	352,428	13,120	33,380	(140,622)	126,262	5,052,785	9,192,237	214,179	9,406,416
Profit for the year	–	–	–	–	–	–	–	–	–	1,719,141	1,719,141	60,286	1,779,427
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	(47,852)	–	–	(47,852)	1,966	(45,886)
Fair value loss on available-for-sale investments	–	–	–	–	–	–	(5,203)	–	–	–	(5,203)	–	(5,203)
Income tax relating to components of other comprehensive income	–	–	–	–	–	–	780	–	–	–	780	–	780
Remeasurement of defined benefit obligation	–	–	–	–	–	–	–	–	–	(1,258)	(1,258)	–	(1,258)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(4,423)	(47,852)	–	1,717,883	1,665,608	62,252	1,727,860
Recognition of share-based payments	–	–	–	–	–	–	–	–	27,046	–	27,046	–	27,046
Transfer to reserve fund	–	–	–	–	1,066	–	–	–	–	(1,066)	–	–	–
Transfer to other reserve for share options forfeited after the vesting date	–	–	–	3,106	–	–	–	–	(3,106)	–	–	–	–
Dividends recognised as distribution (note 12)	–	–	–	–	–	–	–	–	–	(520,452)	(520,452)	–	(520,452)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(20,815)	(20,815)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	2,523	2,523
Exercise of share options	1,962	298,906	–	–	–	–	–	–	(67,793)	–	233,075	–	233,075
Non-controlling interests arising on the acquisition of a former joint venture (note 33(b))	–	–	–	–	–	–	–	–	–	–	–	53	53
At 31 December 2016	113,532	3,623,811	276,199	45,316	353,494	13,120	28,957	(188,474)	82,409	6,249,150	10,597,514	258,192	10,855,706

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Other reserve RMB'000	Statutory surplus reserve fund RMB'000	Enterprise expansion fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Share options reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017	113,532	3,623,811	276,199	45,316	353,494	13,120	28,957	(188,474)	82,409	6,249,150	10,597,514	258,192	10,855,706
Profit for the year	-	-	-	-	-	-	-	-	-	2,025,254	2,025,254	67,478	2,092,732
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	50,692	-	-	50,692	795	51,487
Fair value gain on available-for-sale investments	-	-	-	-	-	-	66,615	-	-	-	66,615	-	66,615
Income tax relating to components of other comprehensive income	-	-	-	-	-	-	(9,992)	-	-	-	(9,992)	-	(9,992)
Reclassified to profit or loss upon disposal of available-for-sale investments, net of tax	-	-	-	-	-	-	(85,580)	-	-	-	(85,580)	-	(85,580)
Remeasurement of defined benefit obligation	-	-	-	-	-	-	-	-	-	2,173	2,173	-	2,173
Total comprehensive (expense) income for the year	-	-	-	-	-	-	(28,957)	50,692	-	2,027,427	2,049,162	68,273	2,117,435
Recognition of share-based payments	-	-	-	-	-	-	-	-	10,810	-	10,810	-	10,810
Transfer to reserve fund	-	-	-	-	172,007	21,760	-	-	-	(193,767)	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	(1,570)	-	-	-	-	-	-	(1,570)	1,570	-
Transfer to other reserve for share options forfeited after the vesting date	-	-	-	523	-	-	-	-	(523)	-	-	-	-
Dividends recognised as distribution (note 12)	-	-	-	-	-	-	-	-	-	(676,043)	(676,043)	-	(676,043)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(44,667)	(44,667)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	1,603	1,603
Exercise of share options	893	165,544	-	-	-	-	-	-	(33,176)	-	133,261	-	133,261
At 31 December 2017	114,425	3,789,355	276,199	44,269	525,501	34,880	-	(137,782)	59,520	7,406,767	12,113,134	284,971	12,398,105

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

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

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

The investment revaluation reserve represents the changes in fair value net of tax of available-for-sale investments of the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Operating activities		
Profit before tax	**2,488,296**	2,118,599
Adjustments for:		
Finance costs	**94,915**	62,766
Interest income	**(83,128)**	(60,603)
Dividends from available-for-sale investments	**(5,717)**	(4,631)
Share of profits of joint ventures	**(2,426)**	(9,332)
Share of profits of associates	**(27,924)**	(35,567)
Depreciation of 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
Share-based payment expense	**10,810**	27,046
Fair value changes of financial assets designated as financial assets at fair value through profit or loss ("FVTPL")	**(39,380)**	(50,591)
Fair value changes of derivative financial instruments	**36,469**	(83,260)
Loss on disposal of property, plant and equipment	**4,638**	18,808
Gain on disposal of prepaid lease payments for land use right	**–**	(2,457)
Gain on deemed disposal of a subsidiary (note 34)	**(103,821)**	–
Gain on disposal of available-for-sale investments	**(100,682)**	–
Gain from remeasurement of fair value of previously held joint ventures upon acquisition (note 33)	**–**	(18,611)
Recognition of allowance for inventories	**14,373**	23,190
Allowance for trade and other receivables	**13,538**	23,017
Reversal of allowance for trade and other receivables	**(9,223)**	(507)
Net foreign exchange (gains) losses	**(23,177)**	15,745
Impairment loss recognised in respect of property, plant and equipment	**15,132**	18,300
Impairment loss recognised in respect of intangible assets	**–**	745
Impairment loss recognised in respect of investment in a former joint venture	**–**	4,221
Operating cash flows before movements in working capital	**2,807,975**	2,479,065
Increase in inventories	**(523,992)**	(375,471)
Increase in trade and other receivables	**(579,513)**	(813,242)
Decrease (increase) in property under development	**286,227**	(133,716)
Increase in trade and other payables	**287,982**	860,025
Cash generated from operations	**2,278,679**	2,016,661
Income taxes paid	**(403,304)**	(293,777)
Net cash from operating activities	**1,875,375**	1,722,884

	2017 RMB'000	2016 RMB'000
Investing activities		
Proceeds from redemption of financial assets designated as financial assets at FVTPL and derivative financial instruments	**14,760,993**	13,574,203
Interest received	**23,026**	60,603
Dividend received from an associate	**3,000**	1,500
Dividend received from a joint venture	**5,000**	5,000
Dividend received from available-for-sale investments	**5,717**	4,631
Proceeds from disposal of available-for-sale investments	**157,805**	–
Refundable guarantee deposit paid for acquisition of land use rights	**–**	(46,099)
Guarantee deposit refunded	**–**	30,000
Proceeds from disposal of property, plant and equipment	**86,042**	122,927
Proceeds from disposal of other intangible assets	**1,338**	420
Proceeds from disposal of prepaid lease payments	**–**	34,228
Investment in financial assets designated as financial assets at FVTPL and derivative financial instruments	**(14,703,830)**	(13,494,631)
Purchases of property, plant and equipment	**(2,009,221)**	(1,133,375)
Placement of pledged bank deposits	**(15,474)**	(162,832)
Withdrawal of pledged bank deposits	**524,500**	745,000
Purchases of prepaid lease payments for land use rights	**(131,599)**	(33,317)
Net cash outflow arising on acquisitions (note 33)	**–**	(49,304)
Net cash outflow arising on deemed disposal of a subsidiary (note 34)	**(19,832)**	–
Prepayment for acquisition of a subsidiary (note 23)	**(69,195)**	–
Purchases of other intangible assets	**(46,792)**	(16,143)
Payment for investment in an associate	**(7,500)**	(66,375)
Payment for investment in joint ventures	**(16,456)**	(52,939)
Loan to an associate	**(6,021)**	–
Repayment from an associate	**30,164**	–
Net cash used in investing activities	**(1,428,335)**	(476,503)
Financing activities		
Repayment of bank loans	**(2,859,068)**	(2,579,859)
New bank loans raised	**3,953,296**	2,021,743
Dividends paid to owners of the Company	**(676,043)**	(520,452)
Dividends paid to non-controlling shareholders	**(44,667)**	(20,815)
Interest paid	**(93,618)**	(62,766)
Proceeds from exercise of share options	**133,261**	233,075
Loan from the government (note 39)	**100,000**	–
Capital contributions from non-controlling shareholders	**1,603**	2,523
Net cash from (used in) financing activities	**514,764**	(926,551)
Net increase in cash and cash equivalents	**961,804**	319,830
Cash and cash equivalents at beginning of the year	**2,939,723**	2,766,705
Effect of foreign exchange rate changes	**(51,926)**	(146,812)
Cash and cash equivalents at the end of the year	**3,849,601**	2,939,723
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**3,849,601**	2,939,723

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

The Company was incorporated under the Company Law of the Cayman Islands on 22 June 2005 and registered as an exempted company with limited liability. Its registered office is located at Royal Bank House–3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1–1110, Cayman Islands with effect from 12 May 2017. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 1 December 2005. The Company acts as an investment holding company with its subsidiaries engaged in the design, development, manufacture, processing and sales of automobile body parts and moulds. The principal activities of the Company's subsidiaries are set out in note 44.

In the opinion of the directors of the Company (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.

A reconciliation between the opening and closing balances of these items is provided in note 43. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 43, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

Amendments to HKAS 7 ***Disclosure Initiative*** (Continued)

The Group has not applied the following new and amendments to HKFRSs and interpretations 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[2]
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]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015-2017 Cycle[2]

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.

Except as described below, the new and amendments to HKFRSs and interpretations 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.

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

HKFRS 9 *Financial Instruments*

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

Key requirements of HKFRS 9 which are relevant to the Group are:

- 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. All other financial assets 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 in other comprehensive income, with only dividend income generally recognised 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Directors anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Debt instruments classified as loans and receivables carried at amortised cost as disclosed in notes 21 and 26: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9;

- All other financial assets and financial liabilities will continue to be measured on the same basis as are currently measured under HKAS 39.

Impairment:

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables, loans receivable and deposits with financial institutions. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

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

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes 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 the 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 or services. Specifically, the standard introduces 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 result in more disclosures. However, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amount of revenue recognised in the respective reporting periods.

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 lease 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.

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

HKFRS 16 *Leases* (Continued)

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. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

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 2017, the Group had non-cancellable operating lease commitments amounting to RMB29,650,000 as disclosed in note 35. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in related to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business Combination

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business Combination (Continued)

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses.

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

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

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

Investments in associates and joint ventures

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (Continued)

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

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

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

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

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

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

Property under development

Properties under development, representing leasehold land and buildings located in the PRC under development for future sale, are stated at the lower of cost and net realisable value. Cost comprises the costs of land use rights, construction costs, borrowing costs capitalised and other direct development expenditure. Net realisable value represents the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale. Properties under development are transferred to completed properties for sale upon completion of development.

Leasing

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

The Group as Lessor

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

The Group as Lessee

Operating leases payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and buildings

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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

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

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

Borrowing costs

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

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

Government grants

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

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

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

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

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

Current and deferred tax for the year

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost;
- net interest expense or income; and
- remeasurement.

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

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

Contributions from employees to defined benefit plans

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

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

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by HKAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the amount of benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Research expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Derecognition of intangible assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Impairment losses on tangible and intangible assets other than financial assets and goodwill (see the accounting policy in respect of goodwill above and financial assets below)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into loans and receivables, financial assets at FVTPL and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 42.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loans receivable, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

AFS financial assets

AFS financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity securities held by the Group that are traded in an active market are classified as AFS financial assets and are stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

For certain categories of financial assets, such as trade and other receivables and loans receivable, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Impairment losses on AFS equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

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

Derivative financial instruments

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Equity-settled share-based payment transactions of the Company

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The Directors determine the residual values, useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. In addition, the Directors assess impairment whenever events or changes in circumstances and technical innovation of automobile products indicate that the carrying amount of an asset may not be recoverable. As at 31 December 2017, the carrying amount of the Group's property, plant and equipment was RMB6,246,257,000 (net of accumulated impairment loss of RMB39,440,000) (2016: carrying amount of RMB4,956,665,000 (net of accumulated impairment loss of RMB40,807,000)).

Estimated impairment of trade receivables

When there is objective evidence of impairment loss of trade receivables, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of trade receivables was RMB2,896,830,000 (net of allowance for doubtful debts of RMB22,037,000) (2016: carrying amount of RMB2,619,008,000 (net of allowance for doubtful debts of RMB17,738,000)).

Allowances for inventories

The Directors reviews the aging of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or saleable in the market. The Directors estimate the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. As at 31 December 2017, the carrying amount of inventories was RMB2,077,761,000 (net of allowance for inventories of RMB55,242,000) (2016: carrying amount of inventories is RMB1,569,098,000 (net of allowance for inventories of RMB54,563,000)).

Fair value measurements and valuation processes

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

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

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

As at 31 December 2017, the fair values of derivative financial assets and derivative financial liabilities were estimated to be RMB31,709,000 (2016: RMB34,443,000) and RMB28,616,000 (2016: RMB6,586,000), respectively.

5. 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 and operating 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 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

5. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (Continued)

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

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the gross profit earned by each segment after adjusting the recognition and reversal of the allowance for trade and other receivables. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

Segment assets

	2017 RMB'000	2017 %	2016 RMB'000	2016 %
Trade and bill receivables				
The PRC	**2,618,480**	**14.5**	2,180,774	14.4
Asia Pacific	**48,912**	**0.3**	84,457	0.6
North America	**298,455**	**1.6**	354,062	2.4
Europe	**276,115**	**1.5**	184,767	1.2
Trade and bill receivables total	**3,241,962**	**17.9**	2,804,060	18.6
Unallocated assets	**14,867,000**	**82.1**	12,246,652	81.4
Total assets	**18,108,962**	**100.0**	15,050,712	100.0

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

Revenue from major product

The Group's operation is engaged in the manufacturing and sales of automobile body parts.

Geographical information

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

	2017 RMB'000	2016 RMB'000
The PRC	**6,564,749**	5,048,528
Other countries	**1,345,506**	942,236
	7,910,255	5,990,764

Note: Non-current assets excluded financial instruments and deferred tax assets.

5. SEGMENT INFORMATION (CONTINUED)

Information about major customer

Details of the Group's largest customer are as follows:

	2017 RMB'000	2016 RMB'000
Customer A	**881,720**	759,302

The customer above is located in the PRC. No single customer contributed 10% or more to the Group's revenue for both 2017 and 2016.

6. INVESTMENT INCOME

	2017 RMB'000	2016 RMB'000
Interest on bank deposits	**82,189**	60,603
Interest on loans receivable	**939**	–
Dividends from available-for-sale investments	**5,717**	4,631
Total investment income	**88,845**	65,234

7. OTHER INCOME

	2017 RMB'000	2016 RMB'000
Government grants (note)	**140,291**	74,960
Service and consultation income	**7,194**	1,876
Sales of scrap and raw materials	**37,971**	29,692
Rental income	**6,379**	6,896
Sales of properties developed (note 25)	**53,096**	–
Others	**19,034**	11,537
Total	**263,965**	124,961

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

8. 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 FVTPL	**39,380**	50,591
Allowance for trade and other receivables (note 26)	**(13,538)**	(23,017)
Reversal of allowance for trade and other receivables (note 26)	**9,223**	507
Impairment for property, plant and equipment (note 14)	**(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 (note 34)	**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 (note 33)	**–**	18,611
Total	**146,643**	124,330

9. 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 (note 22)	**24,249**	18,714
	395,564	339,172

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

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

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

9. INCOME TAX EXPENSE (CONTINUED)

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

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

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

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

The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled under the EIT Law and other related tax regulations in other jurisdictions.

9. INCOME TAX EXPENSE (CONTINUED)

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

	2017		2016	
	RMB'000	**%**	RMB'000	%
Profit before tax	**2,488,296**		2,118,599	
Tax at the applicable income tax rate of 25% (2016: 25%) (note)	**622,074**	**25.0**	529,650	25.0
Tax effect of share of profits of associates and joint ventures	**(7,588)**	**(0.3)**	(11,225)	(0.5)
Tax effect of expenses not deductible for tax purpose	**10,039**	**0.4**	9,633	0.4
Tax effect of income not taxable for tax purpose	**(1,429)**	**(0.1)**	(1,158)	(0.1)
Tax effect of tax losses not recognised as deferred tax assets	**47,098**	**1.9**	38,348	1.8
Tax effect of utilisation of tax losses previously not recognised as deferred tax assets	**(17,562)**	**(0.7)**	(15,031)	(0.7)
Effect of tax concessions granted to the PRC subsidiaries	**(226,953)**	**(9.1)**	(155,526)	(7.3)
Withholding tax provision on the profits of the PRC subsidiaries	**41,068**	**1.7**	16,812	0.8
Tax effect of different tax rates of subsidiaries	**(27,244)**	**(1.1)**	(46,940)	(2.2)
Deferred tax charged at different tax rates	**599**	**–**	980	–
Over provision in respect of prior years	**(44,538)**	**(1.8)**	(26,371)	(1.2)
Tax charge and effective tax rate for the year	**395,564**	**15.9**	339,172	16.0

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

10. PROFIT FOR THE YEAR

	2017 RMB'000	2016 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Cost of inventories as recognised (note i)	**7,535,027**	6,149,547
Directors' remuneration (note 11)	**9,526**	13,349
Other staff's retirement benefits scheme contributions	**101,999**	84,645
Other staff's share-based payments	**9,063**	22,708
Other staff's salaries and allowances	**1,921,184**	1,553,271
Other staff's related welfares and benefits	**226,711**	176,604
Total staff costs	**2,268,483**	1,850,577
Less: Staff costs included in research expenditure	**(292,498)**	(247,195)
	1,986,210	1,603,382
Auditors' remuneration	**8,806**	10,094
Depreciation of property, plant and equipment	**489,041**	403,172
Less: Depreciation included in research expenditure	**(12,987)**	(14,179)
	476,054	388,993
Amortisation of other intangible assets	**18,162**	13,077
Release of prepaid lease payments	**18,079**	15,938
Minimum operating lease rentals of buildings	**29,154**	41,368
Research expenditure (note ii)	**463,682**	390,508
Rental income	**(11,182)**	(12,383)
Less: Outgoings	**4,803**	5,487
	(6,379)	(6,896)

Notes:

(i) Included in this amount is the recognition of allowance for inventories amounting to RMB14,373,000 (2016: RMB23,190,000).

(ii) The amount represents expenses incurred in the research phase for the design of new moulds or products of the Group.

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

(a) Directors' and Chief Executive's emoluments

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

		Other emoluments			
	Fees RMB'000	Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2017					
Executive directors:					
Mr. Chin (Redesignated from honorary chairman and non-executive director to chairman and executive director on 10 August 2017) (note)	–	–	–	–	–
Shi Jian Hui ("Mr. Shi") (Resigned on 10 August 2017) (note)	–	908	331	6	1,245
Zhao Feng	–	1,402	331	9	1,742
Bao Jian Ya ("Ms. Bao") (Resigned on 31 May 2017)	–	441	331	7	779
Huang Chiung Hui	–	3,866	472	11	4,349
Chin Chien Ya	–	612	–	37	649
	–	7,229	1,465	70	8,764

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

Non-executive director:					
Mr. Chin (note)	–	–	–	–	–

Independent non-executive directors:					
Yu Zheng	180	–	94	–	274
Wang Ching	150	–	94	–	244
Wu Fred Fong	150	–	94	–	244
	480	–	282	–	762

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

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

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

		Other emoluments			
	Fees RMB'000	Salaries and other benefits RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2016					
Executive directors:					
Mr. Shi (note)	–	1,649	782	5	2,436
Zhao Feng	–	1,413	768	8	2,189
Ms. Bao	–	1,269	796	5	2,070
Huang Chiung Hui (Appointed on 26 May 2016)	–	3,446	997	11	4,454
Chin Chien Ya (Appointed on 26 May 2016)	–	474	–	110	584
	–	8,251	3,343	139	11,733

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

Non-executive directors:					
Mr. Chin (Redesignated from executive director and chairman to non-executive director and honorary chairman on 26 May 2016)	–	–	–	–	–
He Dong Han (Retired on 26 May 2016)	59	–	199	–	258
	59	–	199	–	258

Independent non-executive directors:					
Yu Zheng (Redesignated from non-executive director to independent non-executive director on 26 May 2016)	176	–	199	–	375
Wang Ching	146	–	199	–	345
Zhang Liren (Resigned on 23 August 2016)	94	–	199	–	293
Wu Fred Fong	146	–	199	–	345
	562	–	796	–	1,358

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

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

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

Note: Mr. Chin was the only non-executive director since 26 May 2016. On 31 May 2017, Ms. Bao resigned as executive director of the Company. On 10 August 2017, Mr. Shi resigned as the chairman of the Board and executive director of the Company. Then, on the same day, Mr. Chin was redesignated from honorary chairman and non-executive director to the chairman of the Board and executive director.

During the year ended 31 December 2017, one director, Mr. Chin, waived emoluments of RMB600,000 (2016: one director waived emoluments of RMB600,000).

(b) Employees' emoluments

During the year ended 31 December 2017, no emoluments had been paid by the Group to the Directors or the five highest-paid individuals referred to in (b) as an inducement to join or upon joining the Group or as a compensation for loss of office.

During the year, of the five highest paid individuals, two (2016: three) were Directors whose emoluments are set out above. The emoluments of the remaining three (2016: two) highest paid individuals are as follows:

	Salaries and other benefits	**Share-based payments**	**Retirement benefits scheme contributions**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
2017	**6,667**	**420**	**106**	**7,193**
2016	7,840	1,976	22	9,838

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

(b) Employees' emoluments (Continued)

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

	2017 No. of employees	2016 No. of employees
Hong Kong dollars ("HK$") 1,000,001 to HK$1,500,000	**1**	–
HK$2,000,001 to HK$2,500,000	**2**	1
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,000,001 to HK$5,500,000	**1**	–
HK$6,000,001 to HK$6,500,000	**–**	1

12. DIVIDENDS

	2017 RMB'000	2016 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.

13. 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 **RMB'000**	2016 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 **'000**	2016 '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

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Furniture and equipment RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1 January 2016	91,122	1,630,538	296,616	91,184	29,808	2,481,394	857,057	5,477,719
Exchange adjustments	7,622	33,082	6,322	101	133	69,501	(20,714)	96,047
Additions	2,539	41,763	73,143	7,901	5	69,031	967,456	1,161,838
Disposals	(43,102)	(23,817)	(19,873)	(7,434)	(1,960)	(91,874)	(228)	(188,288)
Arising on acquisition of subsidiaries (note 33)	41,046	–	651	1,000	62	49,998	–	92,757
Transfers	–	312,111	33,393	1,831	1,008	520,784	(869,127)	–
At 31 December 2016	99,227	1,993,677	390,252	94,583	29,056	3,098,834	934,444	6,640,073
Exchange adjustments	7,892	38,574	710	4	183	49,630	1,646	98,639
Additions	10,326	10,748	8,537	2,697	2,326	315,489	1,482,361	1,832,484
Disposals	(1,777)	(20,616)	(10,473)	(2,000)	(1,273)	(151,639)	(11,394)	(199,172)
Derecognised on deemed disposal of a subsidiary (note 34)	–	–	(13,091)	–	(1,679)	(7,341)	(11,809)	(33,920)
Transfers	4,440	382,050	55,905	11,512	324	816,728	(1,270,959)	–
At 31 December 2017	**120,108**	**2,404,433**	**431,840**	**106,796**	**28,937**	**4,121,701**	**1,124,289**	**8,338,104**
DEPRECIATION AND IMPAIRMENT								
At 1 January 2016	–	266,994	154,062	39,539	16,196	824,718	827	1,302,336
Exchange adjustments	–	8,790	15,812	14	90	(18,605)	52	6,153
Provided for the year	–	95,279	52,906	3,947	3,437	247,603	–	403,172
Impairment loss recognised in profit or loss (note)	–	–	–	–	996	17,304	–	18,300
Eliminated on disposals	–	(7,796)	(17,841)	(1,799)	(2,688)	(16,429)	–	(46,553)
At 31 December 2016	–	363,267	204,939	41,701	18,031	1,054,591	879	1,683,408
Exchange adjustments	–	3,190	395	4	101	13,004	(46)	16,648
Provided for the year	–	124,771	55,334	4,578	2,102	302,256	–	489,041
Impairment loss recognised in profit or loss (note)	–	–	–	–	–	14,873	259	15,132
Eliminated on disposals	–	(3,519)	(10,097)	(369)	(465)	(90,073)	–	(104,523)
Derecognised on deemed disposal of a subsidiary (note34)	–	–	(4,615)	–	(554)	(2,690)	–	(7,859)
At 31 December 2017	**-**	**487,709**	**245,956**	**45,914**	**19,215**	**1,291,961**	**1,092**	**2,091,847**
CARRYING AMOUNT								
At 31 December 2017	**120,108**	**1,916,724**	**185,884**	**60,882**	**9,722**	**2,829,740**	**1,123,197**	**6,246,257**
At 31 December 2016	99,227	1,630,410	185,313	52,882	11,025	2,044,243	933,565	4,956,665

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Freehold land	N/A
Buildings	2.6%-5.8%
Furniture and equipment	9%-18%
Leasehold improvements	18%
Motor vehicles	18%
Plant and machinery	8%-9%

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

The Group has no pledged freehold land and buildings (2016: RMB16,968,000) to secure any general banking facilities granted to group entities.

Note: During the year ended 31 December 2017, an impairment loss of RMB15,132,000 was recognised mainly representing the carrying amount of certain plant and equipment and construction in progress which were idle. During the year ended 31 December 2016, an impairment loss of RMB18,300,000 has been recognised, representing the carrying amount of certain equipment which was idle during the year.

15. PREPAID LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
Prepaid lease payments	**763,913**	625,383
Analysed for reporting purposes as:		
Current assets	**18,911**	15,350
Non-current assets	**745,002**	610,033
	763,913	625,383

Included in prepaid lease payments are land use rights located in the PRC with carrying amount of RMB104,016,000 (2016: RMB34,786,000) for which the land use right certificates have not been obtained. The Group is in the process of obtaining the certificates.

16. GOODWILL

	2017 RMB'000	2016 RMB'000
Cost and carrying amount		
Balance at beginning of year	**83,228**	46,407
Arising from acquisition of Jiaxing Dura (note 33(a))	**–**	36,821
Balance at end of year	**83,228**	83,228

16. GOODWILL (CONTINUED)

The goodwill held by the Group as at 31 December 2017 arose on (i) the acquisition of a subsidiary, Jiaxing Minrong Automotive Parts Co., Ltd. ("Jiaxing Minrong"), in 2006 and on the acquisition of the remaining interest in Jiaxing Minrong, of which became a branch of a principal subsidiary of the Group in 2007; (ii) the acquisition of a subsidiary, Plastic Trim International, Inc.("PTI") during the year end 31 December 2014; and (iii) the acquisition of a subsidiary, Jiaxing Dura Minth Automotive Parts Co., Ltd. ("Jiaxing Dura") in 2016.

Impairment test on goodwill

(i) Jiaxing Minrong

As at 31 December 2017, the carrying amount of goodwill allocated to the cash-generating unit of auto-parts manufacturing business of Jiaxing Minrong is RMB15,276,000 (2016: RMB15,276,000). The recoverable amount of the cash-generating unit is determined based on a value in use calculations. The key assumptions for the value in use calculations relate to the pre-tax discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with appropriate discount rates. Growth rate beyond the five-year period is assumed to be zero.

The management believes that any reasonably possible change in any of these key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. As at 31 December 2017, the recoverable amount of the cash-generating unit is greater than the carrying amount.

(ii) PTI

As at 31 December 2017, the carrying amount of goodwill allocated to the cash-generating unit of moulding and extrusion manufacturing of PTI is RMB31,131,000 (2016: RMB31,131,000). The recoverable amount of the cash-generating unit is determined based on a value in use calculations. The key assumptions for the value in use calculations relate to the pre-tax discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with appropriate discount rates. Growth rate beyond the five-year period is assumed to be zero.

The management believes that any reasonably possible change in any of these key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. As at 31 December 2017, the recoverable amount of the cash-generating unit is greater than the carrying amount.

(iii) Jiaxing Dura

As at 31 December 2017, the carrying amount of goodwill allocated to the cash-generating unit of auto-parts manufacturing business of Jiaxing Dura is RMB36,821,000 (2016: RMB36,821,000). The recoverable amount of the cash-generating unit is determined based on a value in use calculations. The key assumptions for the value in use calculations relate to the pre-tax discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with appropriate discount rates. Growth rate beyond the five-year period is assumed to be zero.

The management believes that any reasonably possible change in any of these key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. As at 31 December 2017, the recoverable amount of the cash-generating unit is greater than the carrying amount.

17. OTHER INTANGIBLE ASSETS

	Emission rights RMB'000	Patent RMB'000	Technical know-how and trademark RMB'000	Total RMB'000
COST				
At 1 January 2016	–	1,621	138,868	140,489
Additions	–	–	16,143	16,143
Arising from acquisition of a subsidiary (note 33)	–	–	454	454
Disposals	–	–	(1,600)	(1,600)
Exchange adjustments	–	–	974	974
At 31 December 2016	–	1,621	154,839	156,460
Additions	11,056	–	35,736	46,792
Disposals	–	–	(3,367)	(3,367)
Derecognised on deemed disposal of a subsidiary (note 34)	–	–	(22,032)	(22,032)
Exchange adjustments	–	–	(43)	(43)
At 31 December 2017	**11,056**	**1,621**	**165,133**	**177,810**
AMORTISATION				
At 1 January 2016	–	1,621	99,470	101,091
Charge for the year	–	–	13,077	13,077
Impairment loss recognised	–	–	745	745
Eliminated on disposals	–	–	(1,180)	(1,180)
Exchange adjustments	–	–	213	213
At 31 December 2016	–	1,621	112,325	113,946
Charge for the year	1,744	–	16,418	18,162
Eliminated on disposals	–	–	(2,029)	(2,029)
Derecognised on deemed disposal of a subsidiary	–	–	(2,389)	(2,389)
Exchange adjustments	–	–	142	142
At 31 December 2017	**1,744**	**1,621**	**124,467**	**127,832**
CARRYING AMOUNT				
At 31 December 2017	**9,312**	**–**	**40,666**	**49,978**
At 31 December 2016	–	–	42,514	42,514

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

18. INTERESTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Cost of unlisted investments in joint ventures	**84,453**	67,997
Exchange adjustments	**637**	640
Share of post-acquisition profits, net of dividends received	**20,678**	23,252
	105,768	91,889

As at 31 December 2017 and 2016, the Group had interests in the following joint ventures:

Name of entities	Country of incorporation and operation	Attributable equity interest of the Group 2017 %	2016 %	Share capital	Principal activities
Wuhan Minth Nojima Automotive Parts Co., Ltd.* ("Wuhan Minth Nojima") 武漢敏島汽車零部件有限公司	the PRC	**50**	50	United States dollars ("US$") 4,700,000	Design, manufacture, develop and sales of automobile body parts
F&M Technology Limited* 富敏科技(上海)有限公司	the PRC	**60**	60	RMB5,200,000	Development and sale of camera module for the automotive industry
Jiaxing Clean Wave E-Drive System Co.,Ltd.* 克林威孚電驅動系統(嘉興)有限公司	the PRC	**51**	51	US$29,412,000	Research and development, production, sale and after sale services of electric drive systems
Haartz-Minth (Ningbo) Automotive Ltd.* ("Haartz-Minth") 哈茲敏實(寧波)汽車新材料有限公司	the PRC	**40**	40	US$12,000,000	Manufacture and sale of soft automotive interior trim materials and provide relevant technical services

* The English names are for identification purposes only.

18. INTERESTS IN JOINT VENTURES (CONTINUED)

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

(a) Wuhan Minth Nojima

	2017 RMB'000	2016 RMB'000
Current assets	**114,869**	116,104
Non-current assets	**14,590**	16,893
Current liabilities	**43,700**	56,210
Non-current liabilities	**5**	9
The above amounts of assets and liabilities include the following: Cash and cash equivalents	**57,564**	19,894

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Revenue	**216,936**	199,871
Profit for the year	**18,976**	20,110
Dividend declared from the joint venture to the Group	**5,000**	5,000
The above profit for the year include the following: Depreciation and amortisation	**2,557**	2,772
Interest income	**285**	45
Income tax expense	**6,036**	6,290

18. INTERESTS IN JOINT VENTURES (CONTINUED)

(a) Wuhan Minth Nojima (Continued)

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

	2017 RMB'000	2016 RMB'000
Net assets of Wuhan Minth Nojima	**85,754**	76,778
Proportion of the Group's ownership interest in Wuhan Minth Nojima	**50%**	50%
Carrying amount of the Group's interest in Wuhan Minth Nojima	**42,877**	38,389

(b) Haartz-Minth

	2017 RMB'000	2016 RMB'000
Current assets	**15,004**	26,622
Non-current assets	**64,047**	14,724
Current liabilities	**1,401**	191
The above amounts of assets and liabilities include the following: Cash and cash equivalents	**2,541**	26,016

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Revenue	**–**	–
(Loss) profit for the year	**(4,637)**	351
The above profit for the year include the following: Depreciation and amortisation	**46**	–
Interest income	**8**	2
Income tax expense	**–**	117

18. INTERESTS IN JOINT VENTURES (CONTINUED)

(b) Haartz-Minth (Continued)

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

	2017 RMB'000	2016 RMB'000
Net assets of Haartz-Minth	**77,650**	41,155
Proportion of the Group's ownership interest in Haartz-Minth	**40%**	40%
Carrying amount of the Group's interest in Haartz-Minth	**31,060**	16,462

Aggregate information of joint ventures that are not material

	2017 RMB'000	2016 RMB'000
The Group's share of loss	**(5,207)**	(863)
Aggregate carrying amount of the Group's interests in these joint ventures	**31,831**	37,038

19. INTERESTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Cost of unlisted investments in associates	**234,991**	110,816
Exchange adjustments	**(533)**	–
Share of post-acquisition profits, net of dividends received	**120,543**	95,619
	355,001	206,435

19. INTERESTS IN ASSOCIATES (CONTINUED)

As at 31 December 2017 and 2016, the Group had interests in the following associates:

Name of entities	Country of incorporation and operation	Attributable equity interest of the Group		Share capital		Principal activities
		2017 %	2016 %	2017	2016	
Guangzhou Tokai Minth Automotive Parts Co., Ltd. ("Guangzhou Tokai Minth")* 廣州東海敏孚汽車部件有限公司	the PRC	49.03	49.03	US$8,000,000	US$8,000,000	Manufacture of automotive parts
Jiaxing TAB-MINTH Mobility Equipment Co., Ltd.* 嘉興豐實福祉汽車部件有限公司	the PRC	35.00	35.00	US$1,000,000	US$1,000,000	Wholesale, sales agency and import and export of automobile parts, and relevant technical consultancy, assembly and maintenance services
Wuhan Sankei Minth Automotive Parts Co., Ltd.* 武漢三惠敏實汽車零部件有限公司	the PRC	30.00	30.00	US$7,500,000	US$7,500,000	Manufacture and sales of exhaust systems for automobiles
Clean Wave Technologies Limited ("Clean Wave")	the USA	13.20 (note ii)	13.20	Ordinary share: US$11,439 Preferences share: US$27,126,263	Ordinary share: US$11,439 Preferences share: US$27,126,263	Producing the next generation of electric motors, power electronic controls for electric & hybrid electric vehicles
Yuyao Yongxing Automotive Parts Co., Ltd.* 余姚市敏永汽車零部件有限公司	the PRC	30.00	N/A	RMB10,000,000	N/A	Design and manufacture of automotive parts and mould
Seat Metal Parts China Co., Ltd. (Seat Metal Parts)* 浙江車精汽車部件有限公司	the PRC	10.00 (note i)	N/A	RMB45,000,000	N/A	Design, manufacture and sales of automotive parts and mould
Jiangsu Min'an Electric Cars Co., Ltd. ("Jiangsu Min'an")* 江蘇敏安電動汽車有限公司	the PRC	25.40 (note 34)	100.00	US$130,000,000	US$33,000,000	Design, development and wholesale of automobile body parts for electric vehicle

* The English names are for identification purposes only.

19. INTERESTS IN ASSOCIATES (CONTINUED)

Notes:

(i) During the year ended 31 December 2017, Minth Investment Limited ("Minth Investment"), a wholly-owned subsidiary of the Company, entered into a shareholder agreement with an independent third party to set up Seat Metal Parts, in which Minth Investment holds 10% equity interests in Seat Metal Parts with a cash consideration of RMB4,500,000. The board of directors of Seat Metal Parts consists of 3 directors, of which one is appointed by Minth Investment. The Company is of the opinion that Minth Investment has the right to appoint one director and therefore has significant influence over Seat Metal Parts. As a result, it is treated as an associate of the Group.

(ii) On 27 June 2016, Enboma Investments Limited ("Enboma"), a wholly-owned subsidiary of the Company, entered into a share subscription agreement with an independent third party, pursuant to which Enboma is to subscribe 3,389,678 shares in Clean Wave with cash consideration of US$10,000,000 (equivalent to RMB66,375,000). The board of directors of Clean Wave consists of 4 directors, of which one is appointed by Enboma. The Company is of the opinion that Enboma has the right to appoint one director and therefore has significant influence over Clean Wave. As a result, it is treated as an associate of the Company.

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

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

(a) Guangzhou Tokai Minth

	2017 RMB'000	2016 RMB'000
Current assets	**219,750**	260,589
Non-current assets	**48,485**	47,032
Current liabilities	**45,600**	76,829

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Revenue	**243,016**	219,221
Profit for the year	**60,682**	67,984

19. INTERESTS IN ASSOCIATES (CONTINUED)

(a) Guangzhou Tokai Minth (Continued)

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

	2017 RMB'000	2016 RMB'000
Net assets of Guangzhou Tokai Minth	**222,635**	230,792
Proportion of the Group's ownership interest in Guangzhou Tokai Minth	**49.03%**	49.03%
Carrying amount of the Group's interest in Guangzhou Tokai Minth	**142,781**	113,160

(b) Jiangsu Min'an

	2017 RMB'000	2016 RMB'000
Current assets	**412,021**	N/A
Non-current assets	**426,155**	N/A
Current liabilities	**387,495**	N/A

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Revenue	**–**	N/A
Loss for the year	**(5,878)**	N/A

19. INTERESTS IN ASSOCIATES (CONTINUED)

(b) Jiangsu Min'an (Continued)

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

	2017 RMB'000	2016 RMB'000
Net assets of Jiangsu Min'an	**450,681**	N/A
Proportion of the Group's ownership interest in the Jiangsu Min'an	**25.4%**	N/A
Other adjustments	**(688)**	N/A
Carrying amount of the Group's interest in Jiangsu Min'an	**113,695**	N/A

Aggregate information of associates that are not individually material

	2017 RMB'000	2016 RMB'000
The Group's share of profit	**1,283**	4,195
Aggregate carrying amount of the Group's interests in these associates	**98,525**	28,861

20. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments of equity securities listed in the PRC was disposed entirely during the year. The cumulative gain previously accumulated under the investment revaluation reserve is reclassified to profit or loss and a gain of RMB100,682,000 was recognised under other gains and losses.

21. LOANS RECEIVABLE

The loans receivable are due from associates of the Group with maturity dates from 6 April 2018 to 13 December 2020 and carry fixed rates ranging from 3.92% to 6.18% per annum.

	2017 RMB'000	2016 RMB'000
Analysed for reporting purposes as:		
— Current assets	**20,816**	–
— Non-current assets	**6,021**	–
	26,837	–

22. DEFERRED TAXATION

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

Deferred tax assets:

	Allowance for doubtful debts RMB'000	Allowance for inventories RMB'000	Impairment for property, plant and equipment RMB'000	Unrealised profit for intra-group transactions RMB'000	Temporary differences of expense RMB'000	Tax loss carry forwards RMB'000	Retirement benefit obligation RMB'000	Total RMB'000
At 1 January 2016	3,433	8,486	13,670	55,987	17,622	5,502	7,249	111,949
(Charge) credit to profit or loss	(379)	4,942	1,092	(2,824)	(3,977)	(4,840)	–	(5,986)
Charge to other comprehensive income for the year	–	–	–	–	–	–	(839)	(839)
At 31 December 2016	3,054	13,428	14,762	53,163	13,645	662	6,410	105,124
Credit (charge) to profit or loss	906	(6,657)	(4,387)	(2,979)	1,631	11,901	–	415
Charge to other comprehensive income for the year	–	–	–	–	–	–	(577)	(577)
At 31 December 2017	**3,960**	**6,771**	**10,375**	**50,184**	**15,276**	**12,563**	**5,833**	**104,962**

Deferred tax liabilities:

	Temporary differences of income RMB'000	Fair value adjustments on acquisition of subsidiaries RMB'000	Withholding tax on undistributed dividends RMB'000	Available-for-sale investments RMB'000	Total RMB'000
At 1 January 2016	(20,351)	(11,202)	(21,768)	(5,890)	(59,211)
(Charge) credit to profit or loss	(668)	4,752	(16,812)	–	(12,728)
Credit to other comprehensive income for the year	–	–	–	780	780
Exchange adjustments	(64)	(358)	–	–	(422)
At 31 December 2016	(21,083)	(6,808)	(38,580)	(5,110)	(71,581)
Credit to profit or loss	4,956	4,206	9,562	5,110	23,834
Exchange adjustments	(625)	107	–	–	(518)
At 31 December 2017	**(16,752)**	**(2,495)**	**(29,018)**	**–**	**(48,265)**

22. DEFERRED TAXATION (CONTINUED)

At the end of the reporting period, the Group has following tax losses available for offset against future profits. Only deferred tax asset of RMB12,563,000 (2016: RMB662,000) has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

	2017 RMB'000	2016 RMB'000
Tax loss expire in 2017	–	3,091
Tax loss expire in 2018	16,040	22,377
Tax loss expire in 2019	74,007	95,434
Tax loss expire in 2020	84,608	107,324
Tax loss expire in and after 2021	124,496	164,777
Tax loss expire in and after 2022	211,996	–
	511,147	393,003

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not yet been provided for in the consolidated financial statements in respect of certain temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB9,068 million (2016: RMB7,650 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

23. PREPAYMENT FOR ACQUISITION OF A SUBSIDIARY

On 8 September 2017, Cheerplan (HK) Limited ("Cheerplan HK"), a wholly-owned subsidiary of the Company, entered into a subscription agreement with United Alloy-Tech Company Limited ("UATC"), a company whose shares are listed on the Taipei Exchange, pursuant to which UATC has conditionally agreed to issue and Cheerplan HK has conditionally agreed to subscribe for 55,900,000 of its shares at a consideration of New Taiwan Dollar 313,040,000 (equivalent to RMB69,195,000), representing 44.18% of the total issued share capital of UATC immediately upon completion of the subscription. In addition, Mr. Chin also entered into a subscription agreement with UATC through his wholly-owned company to subscribe for shares in UATC and which, if proceeded to completion, Mr. Chin will come to hold 9.96% of the total issued share capital of UATC. Details of the subscriptions are set out in the Group's announcement dated 8 September 2017. Cheerplan HK has the right to appoint three out of four executive directors of the board of UATC. The Directors are of the opinion that UATC will become a subsidiary of the Group upon completion of the acquisition since the Group has power over UATC, is exposed, or has rights, to variable returns from its involvement with UATC and has the ability to use its power to affect its returns.

The consideration for the subscription by Cheerplan HK was paid in November 2017. As at 31 December 2017, Cheerplan HK is still in the process of completing the procedures which enable Cheerplan HK to obtain the control over UATC.

24. INVENTORIES

	2017 RMB'000	2016 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

During the year, allowance for inventories amounting to RMB14,373,000 has been recognised in cost of sales (2016: RMB23,190,000).

25. PROPERTY UNDER DEVELOPMENT

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

During the current year, property under development amounting to RMB322,572,000 was completed and sold.

26. TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 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

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 RMB'000	2016 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 (2016: within 6 months). As at 31 December 2017 certain bill receivables have been pledged to secure the Group's bank borrowings.

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. 94% (2016: 96%) of the trade receivables with a high credit scoring under the internal credit control system are neither past due nor impaired.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB131,222,000 (2016: RMB121,991,000) which are past due at the end of reporting period. However, the Directors have considered the recoverable amount and credit quality of the relevant customers and concluded that the Group is not required to provide for an impairment loss. The average age of these receivables is 132 days (2016: 102 days).

Aging of trade receivables which are past due but not impaired based on revenue recognition date

	2017 RMB'000	2016 RMB'000
Age		
0 to 90 days	**91,111**	89,742
91 to 180 days	**14,350**	19,954
181 to 365 days	**15,825**	8,710
1 to 2 years	**9,936**	3,585
	131,222	121,991

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for doubtful debts

	2017 **RMB'000**	2016 RMB'000
1 January	**23,311**	18,409
Provision made during the year	**13,538**	23,017
Amounts recovered during the year	**(9,223)**	(507)
Amounts written off as uncollectible	**(544)**	(17,608)
31 December	**27,082**	23,311

The Group first assesses whether objective evidence of impairment exists individually for trade and other receivables and then include the trade and other receivables in a group with similar credit risk characteristics including geographical location, past-due status and historical payment record for collective assessment.

The Group determines the allowance for impaired debts based on the evaluation of collectability and aging analysis of accounts and on management's judgment including the assessment of change in credit quality and the past collection history of each client. The Group does not hold any collateral over these balances.

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

Original currency	**US$** RMB'000	**Japanese Yen ("JPY")** RMB'000	**Euro ("EUR")** RMB'000	**HK$** RMB'000
At 31 December 2017	**109,170**	**124**	**111,484**	**14,243**
At 31 December 2016	239,887	40	95,118	15,343

27. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	2017 RMB'000	2016 RMB'000
Derivative financial assets		
Foreign exchange forward contracts (a)	978	4,872
Cross currency swap contracts (b)	224	27,109
Interest rate swap contracts (d)	1,757	1,846
Structural option contracts (c)	–	616
Call option (e)	28,750	–
	31,709	34,443
Derivative financial liabilities		
Foreign exchange forward contracts (a)	1,903	4,763
Cross currency swap contracts (b)	26,634	1,823
Structural option contracts (c)	79	–
	28,616	6,586
Analysed for reporting purpose as:		
Current assets	1,202	34,443
Non-current assets	30,507	–
	31,709	34,443
Current liabilities	25,737	6,586
Non-current liabilities	2,879	–
	28,616	6,586

27. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

(a) Foreign exchange forward contracts

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

Major terms of these contracts are as follows:

31 December 2017

Notional amount	Maturity dates	Exchange rates
Sell US$5,000,000 Buy RMB33,535,250	28 February 2018 to 3 December 2018	US$1: RMB6.6702 to US$1: RMB6.7703
Sell EUR2,000,000 Buy RMB15,784,879	31 January 2018 to 28 February 2018	EUR1: RMB7.8619 to EUR1: RMB7.9230
Sell US$100,000 Buy THB3,260,280	31 January 2018	US$1: THB36.6028
Sell RMB132,119,655 Buy US$20,000,000	28 February 2018 to 12 March 2018	RMB1: US$0.1499 to RMB1: US$0.1533
Sell EUR12,000,000 Buy US$14,318,538	31 January 2018 to 31 May 2018	EUR1:US$1.1864 to EUR1:US$1.2058
Sell US$1,879,015 Buy JPY213,035,355	4 January 2018 to 1 February 2018	US$1:JPY112.9601 to US$1:JPY114.0082

31 December 2016

Notional amount	Maturity dates	Exchange rates
Sell US$5,000,000 Buy RMB34,000,000	4 January 2017	US$1: RMB6.8000
Sell RMB32,857,500 Buy US$5,000,000	4 January 2017	RMB1: US$0.1522
Sell US$11,737,000 Buy EUR10,573,000	15 May 2017	US$1: EUR0.8999 to US$1: EUR0.9018
Sell EUR10,000,000 Buy US$11,110,000	10 January 2017 to 10 May 2017	EUR1:US$1.1080 to EUR1:US$1.1140

27. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

(b) Cross currency swap contracts

31 December 2017

Major terms of these contracts outstanding at 31 December 2017 are as follows:

Swaps	Maturity dates
From US$6,000,000 to EUR5,172,000 at the final maturity date and interest from US$- London Inter-Bank Offered Rate ("LIBOR") to -0.30% per annum, quarterly settlement	5 May 2016 to 5 May 2018
From US$2,243,000 to EUR2,000,000 at the final maturity date and interest from US$- LIBOR to -0.35% per annum, quarterly settlement	8 November 2016 to 8 November 2019
From US$2,240,000 to EUR2,000,000 at the final maturity date and interest from US$- LIBOR to -0.35% per annum, quarterly settlement	8 November 2016 to 8 November 2019
From US$2,256,000 to EUR2,000,000 at the final maturity date and interest from US$- LIBOR to -0.35% per annum, quarterly settlement	8 November 2016 to 8 November 2019
From RMB275,840,000 to US$40,000,000 at the final maturity date and interest from US$- LIBOR to +0.6% to +3.8% per annum, quarterly settlement	30 March 2017 to 30 March 2018
From RMB138,020,000 to US$20,000,000 at the final maturity date and interest from US$- LIBOR to +0.6% to +3.8% per annum, quarterly settlement	30 March 2017 to 30 March 2018

27. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

(b) Cross currency swap contracts (Continued)

31 December 2016

Major terms of these contracts outstanding at 31 December 2016 are as follows:

Swaps	Maturity dates
From US$6,000,000 to EUR5,300,000 at the final maturity date and interest from US$-LIBOR to -0.01% per annum, quarterly settlement	15 May 2015 to 15 May 2017
From US$6,000,000 to EUR5,272,000 at the final maturity date and interest from US$-LIBOR to -0.01% per annum, quarterly settlement	22 June 2015 to 22 June 2017
From US$6,000,000 to EUR5,172,000 at the final maturity date and interest from US$-LIBOR to -0.30% per annum, quarterly settlement	5 May 2016 to 5 May 2018
From US$2,243,000 to EUR2,000,000 at the final maturity date and interest from US$-LIBOR to -0.35% per annum, quarterly settlement	8 November 2016 to 8 November 2019
From US$2,240,000 to EUR2,000,000 at the final maturity date and interest from US$-LIBOR to -0.35% per annum, quarterly settlement	8 November 2016 to 8 November 2019
From US$2,256,000 to EUR2,000,000 at the final maturity date and interest from US$-LIBOR to -0.35% per annum, quarterly settlement	8 November 2016 to 8 November 2019
From US$20,000,000 to RMB129,500,000 at the final maturity date and interest from US$-LIBOR +0.60% to +3.10% per annum, quarterly settlement	21 April 2016 to 21 April 2017
From US$20,000,000 to RMB130,200,000 at the final maturity date and interest from US$-LIBOR +0.60% to +3.10% per annum, quarterly settlement	27 April 2016 to 27 April 2017

27. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

(c) Structural option contracts

31 December 2017

As of 31 December 2017, the Group had the following outstanding structural option contracts:

A structural option contract begins on 1 December 2017 with settlement dates of 5 February 2018, 5 April 2018 and 5 June 2018 regarding JPY against US$:

At each valuation date:

(i) if the JPY to US$ reference rate (the "Reference Rate 1"), as defined in the agreement, is below 109 (the "Fade Rate 1"), there would have no settlements;

(ii) if the Reference Rate 1 is equal to or between the Fade Rate 1 and 114 (the "Strike Rate 1"), net settlement is calculated based on the difference between the Reference Rate 1 and the Strike Rate 1 times a notional amount of US$500,000, settled in JPY equivalent; and

(iii) if the Reference Rate 1 is greater than the Strike Rate 1, net settlement is calculated based on the difference between the Reference Rate 1 and the Strike Rate 1 times a notional amount of US$500,000 settled in JPY equivalent.

27. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

(c) Structural option contracts (Continued)

31 December 2017 (Continued)

A structural option contract begins on 1 December 2017 with settlement dates of 5 February 2018, 5 April 2018 and 5 June 2018 regarding US$ against EUR:

At each valuation date:

(i) if the US$ to EUR reference rate (the "Reference Rate 2"), as defined in the agreement, is below 1.1760 (the "Fade Rate 2"), there would have no settlements;

(ii) if the Reference Rate 2 is equal to or between the Fade Rate 2 and 1.2210 (the "Strike Rate 2"), net settlement is calculated based on the difference between the Reference Rate 2 and the Strike Rate 2 times a notional amount of EUR1,000,000, settled in US$ equivalent; and

(iii) if the Reference Rate 2 is greater than the Strike Rate 2, net settlement is calculated based on the difference between the Reference Rate 2 and the Strike Rate 2 times a notional amount of EUR1,000,000 settled in US$ equivalent.

A structural option contract begins on 1 December 2017 with settlement dates of 5 February 2018, 5 April 2018 and 5 June 2018 regarding US$ against EUR:

At each valuation date:

(i) if the US$ to EUR reference rate (the "Reference Rate 3"), as defined in the agreement, is below 1.1500 (the "Fade Rate 3"), there would have no settlements;

(ii) if the Reference Rate 3 is equal to or between the Fade Rate 3 and 1.2110 (the "Strike Rate 3"), net settlement is calculated based on the difference between the Reference Rate 3 and the Strike Rate 3 times a notional amount of EUR1,000,000, settled in US$ equivalent; and

(iii) if the Reference Rate 3 is greater than the Strike Rate of 1.2110, net settlement is calculated based on the difference between the Reference Rate 3 and the Strike Rate then times a notional amount of EUR1,000,000, settled in US$ equivalent.

27. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

(c) Structural option contracts (Continued)

31 December 2016

As of 31 December 2016, the Group had the following outstanding structural option contracts.

A structural option contract begins on 9 November 2016 with settlement dates of 14 March 2017, 18 April 2017 and 15 May 2017 regarding EUR against US$:

At each valuation date:

(i) if the EUR to US$ reference rate (the "Reference Rate"), as defined in the agreement, is below the fade rate as stipulated in the agreement (the "Fade Rate") of 1.0500, there would have no settlements;

(ii) if the Reference Rate is equal to or between 1.0500 and the strike rate of 1.1480 as stipulated in the agreement (the "Strike Rate"), net settlement is calculated based on the difference between the Reference Rate and the Strike Rate then times a notional amount of EUR1,000,000, settled in US$ equivalent; and

(iii) if the Reference Rate is greater than the Strike Rate of 1.1480, net settlement is calculated based on the difference between the Reference Rate and the Strike Rate then times a notional amount of EUR2,000,000, settled in US$ equivalent.

A structural option contract begins on 9 November 2016 with settlement dates of 17 January 2017 and 14 February 2017 regarding EUR against US$:

At each valuation date:

(i) if the Reference Rate is below the Fade Rate of 1.0850, there would have no settlements;

(ii) if the Reference Rate is equal to or between the Fade Rate of 1.0850 and the Strike Rate of 1.1370, net settlement is calculated based on the difference between the Reference Rate and the Strike Rate then times a notional amount of EUR1,000,000, settled in US$ equivalent; and

(iii) if the Reference Rate is greater than the Strike Rate of 1.1370, net settlement is calculated based on the difference between the Reference Rate and the Strike Rate then times a notional amount of EUR2,000,000, settled in US$ equivalent.

27. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

(d) Interest rate swap contracts

31 December 2017

Major terms of the contracts outstanding at 31 December 2017 are as follows:

Notional amount	Maturity dates	Swaps
US$10,000,000	1 April 2016 to 29 March 2019	Interest from US$-LIBOR to fixed rate 0.99% on a quarterly basis
US$10,000,000	16 June 2016 to 14 June 2019	Interest from US$-LIBOR to fixed rate 0.93% on a quarterly basis

(e) Call option

As disclosed in note 34, the Group was entitled to a call option to purchase back certain equity interest in Jiangsu Min'an. The call option not exercised within the prescribed two-year period will lapse. The call option is measured at fair value on inception and the subsequent reporting periods before lapse. Changes in fair value will be charged into the profit and loss of the Group.

All the above derivative instruments are carried at fair value. The fair value measure of the derivative instruments is disclosed in note 42(c).

28. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

Bank balances carry interest at market rates which range from zero to 5.30% (2016: zero to 6.12%) per annum. The pledged bank deposits carry interest at fixed interest rates which range from zero to 2.75% (2016: zero to 4.80%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure short-term banking facilities granted to the Group for purchases of materials for manufacturing and are therefore classified as current assets.

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

Original currency	US$ RMB'000	EUR RMB'000	HK$ RMB'000	JPY RMB'000
At 31 December 2017	**1,105,133**	**38,952**	**26,275**	**24,051**
At 31 December 2016	129,376	98,499	9,255	5,159

29. TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 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).

29. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2017 RMB'000	2016 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 (2016: within 6 months).

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

Original currency	**US$** RMB'000	**JPY** RMB'000	**EUR** RMB'000	**HK$** RMB'000
As at 31 December 2017	**50,978**	**43,089**	**25,349**	**10,215**
As at 31 December 2016	57,395	28,597	13,857	2,761

30. BORROWINGS

	2017 RMB'000	2016 RMB'000
Secured (note)	**120,000**	304,000
Unsecured	**2,373,574**	1,141,875
	2,493,574	1,445,875
Fixed-rate borrowings	**320,000**	304,000
Variable-rate borrowings	**2,173,574**	1,141,875
	2,493,574	1,445,875
Carrying amount repayable:		
Within one year	**2,493,574**	1,445,875

Note: As at 31 December 2017 the balance was secured by bill receivables of the Group. As at 31 December 2016, the balance was secured by pledged bank deposits.

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

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

	2017	2016
Effective interest rate:		
Fixed-rate borrowings	**3.96% to 4.35%**	4.30%
Variable-rate borrowings	**0.35% to 4.35%**	0.45% to 6.50%

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

Original currency	**US$** RMB'000	**HK$** RMB'000	**EUR** RMB'000	**JPY** RMB'000
At 31 December 2017	**757,967**	**373,652**	**124,837**	**–**
At 31 December 2016	277,480	46,515	282,395	15,881

31. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2017	2016	**2017**	2016
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.1 each				
Authorised				
At beginning and end of year	**5,000,000**	5,000,000	**500,000**	500,000

	Number of shares		Share capital	
	2017	2016	**2017**	2016
	'000	'000	**RMB'000**	RMB'000
Issued and fully paid				
At beginning of year	**1,130,354**	1,107,171	**113,532**	111,570
Exercise of share options under the Company's employee share option scheme (note 37)	**10,190**	23,183	**893**	1,962
At end of year	**1,140,544**	1,130,354	**114,425**	113,532

32. NON-CONTROLLING INTERESTS

	2017	2016
	RMB'000	RMB'000
Balance at beginning of year	**258,192**	214,179
Share of total comprehensive income for the year	**68,273**	62,252
Capital contribution from a non-controlling shareholder	**1,603**	2,523
Acquisition of additional interest of a subsidiary	**1,570**	–
Non-controlling interests arising on the acquisition of a subsidiary (note 33b)	**–**	53
Dividends declared to non-controlling shareholders during the year	**(44,667)**	(20,815)
Balance at end of year	**284,971**	258,192

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

32. NON-CONTROLLING INTERESTS (CONTINUED)

(i) Guangzhou Minhui Automobile Parts Co., Ltd.

	2017 RMB'000	2016 RMB'000
Current assets	**396,018**	277,504
Non-current assets	**109,097**	91,413
Current liabilities	**233,754**	179,663
Non-current liabilities	**149**	5
Equity attributable to owners of the Company	**202,701**	145,327
Non-controlling interests	**68,511**	43,922

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Revenue	**817,942**	578,623
Expenses	**735,979**	511,366
Profit for the year	**81,963**	67,257
Profit attributable to owners of the Company	**57,374**	47,080
Profit attributable to non-controlling interests	**24,589**	20,177
Dividends declared to non-controlling shareholders	**–**	16,315
Net cash inflow (outflow) from operating activities	**88,636**	(56,199)
Net cash (outflow) inflow from investing activities	**(27,641)**	34,955
Net cash outflow from financing activities	**(14)**	(19,291)
Net cash inflow (outflow)	**60,981**	(40,535)

32. NON-CONTROLLING INTERESTS (CONTINUED)

(ii) Changchun Minth Automotive Parts Co., Ltd.

	2017 RMB'000	2016 RMB'000
Current assets	**159,154**	132,701
Non-current assets	**67,342**	58,359
Current liabilities	**117,868**	78,345
Non-current liabilities	**178**	204
Equity attributable to owners of the Company	**59,647**	61,881
Non-controlling interests	**48,803**	50,630

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Revenue	**274,924**	195,228
Expenses	**258,985**	174,921
Profit for the year	**15,939**	20,307
Profit attributable to owners of the Company	**8,766**	11,169
Profit attributable to non-controlling interests	**7,173**	9,138
Dividends paid to non-controlling shareholders	**9,000**	4,500
Net cash inflow from operating activities	**34,263**	5,548
Net cash outflow from investing activities	**(13,869)**	(6,283)
Net cash outflow from financing activities	**(20,002)**	(10,295)
Net cash inflow (outflow)	**392**	(11,030)

32. NON-CONTROLLING INTERESTS (CONTINUED)

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

	2017 RMB'000	2016 RMB'000
Current assets	**168,570**	179,713
Non-current assets	**121,074**	86,993
Current liabilities	**85,578**	63,045
Non-current liabilities	**18**	33
Equity attributable to owners of the Company	**102,024**	101,814
Non-controlling interests	**102,024**	101,814

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000
Revenue	**331,245**	235,396
Expenses	**259,491**	179,452
Profit for the year	**71,754**	55,944
Profit attributable to owners of the Company	**35,877**	27,972
Profit attributable to non-controlling interests	**35,877**	27,972
Dividends paid to non-controlling shareholders	**35,667**	–
Net cash inflow from operating activities	**61,139**	57,527
Net cash outflow from investing activities	**(30,832)**	(4,176)
Net cash outflow from financing activities	**(71,333)**	–
Net cash (outflow) inflow	**(41,026)**	53,351

33. ACQUISITIONS

For the year ended 31 December 2016

(a) Acquisition of Jiaxing Dura

Jiaxing Dura was previously a joint venture of the Group, of which 51% equity interest was owned by Dura Automotive Handels and Beteiligungs GmbH ("Dura") and 49% equity interest was owned by the Group. On 23 December 2015, the Group entered into a sale and purchase agreement with Dura, pursuant to which Dura had agreed to sell and the Group had agreed to purchase 51% equity interests of Jiaxing Dura at the consideration of RMB56,415,000 after Jiaxing Dura making distribution to its shareholders the undistributed profits for the four financial years from 2011 to 2014. The acquisition was completed on 28 January 2016. Upon completion, Jiaxing Dura becomes a wholly-owned subsidiary of the Group.

The acquisition had been accounted for as business combination using the acquisition accounting.

Consideration transferred

	RMB'000
Cash paid	56,415

Analysis of identifiable assets and liabilities recognised on the date of acquisition

	RMB'000
Non-current assets	
Property, plant and equipment	48,872
Intangible assets	454
Current assets	
Inventories	19,761
Trade and other receivables	43,935
Bank balances and cash	5,509
Current liabilities	
Trade and other payables	(42,677)
Tax liabilities	(2,057)
Net assets acquired	73,797

33. ACQUISITIONS (CONTINUED)

For the year ended 31 December 2016 (Continued)

(a) Acquisition of Jiaxing Dura (Continued)

Goodwill arising from the acquisition

	RMB'000
Consideration transferred	56,415
Add: fair value of previously held equity interest	54,203
Less: recognised amount of identifiable net assets acquired	(73,797)
Goodwill arising on acquisition	36,821

Goodwill arose on the acquisition of Jiaxing Dura is mainly attributable to the synergies expected to be achieved from integrating Jiaxing Dura into the Group's existing business operations.

None of the goodwill arising on this acquisition was expected to be deductible for tax purpose.

Net cash outflow on the acquisition

	RMB'000
Consideration paid in cash	(56,415)
Less: cash and cash equivalent balances acquired	5,509
	(50,906)

Impact of the acquisition on the results of the Group

Included in the profit for the year is RMB8,657,000 attributable to the additional business generated by Jiaxing Dura. Revenue for the year includes RMB66,966,000 generated by Jiaxing Dura.

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been RMB9,407,597,000, and profit for the year would have been RMB1,720,444,000. The pro-forma financial information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

33. ACQUISITIONS (CONTINUED)

For the year ended 31 December 2016 (Continued)

(b) Acquisition of SPTek Limited ("SPTek")

SPTek was previously a joint venture of the Group, 6.25% equity interest of SPTek was owned by Tin Wei Investment Co., Ltd. ("Tin Wei"), an independent third party, 42.75% equity interest was owned by other independent individual shareholders and 51% equity interest was owned by i-Sun Limited ("i-Sun"), a wholly-owned subsidiary of the Group. On 31 May 2016, i-Sun entered into a shareholder exit agreement with the other individual shareholders, pursuant to which the other individual shareholders had agreed to deregister their shares in SPTek. After the capital reduction, the equity interest in SPTek owned by i-Sun has been effectively increased from 51% to 89.1% and equity interest in SPTek owned by Tin Wei has been effectively increased from 6.25% to 10.9%. The acquisition of SPTek was completed on 1 July 2016. Upon completion, SPTek becomes a subsidiary of the Group.

The acquisition had been accounted for as business combination using the acquisition accounting.

There is no cash consideration paid for the acquisition of SPTek.

Analysis of identifiable assets and liabilities recognised on the date of acquisition

	RMB'000
Non-current asset	
Property, plant and equipment	43,885
Current assets	
Inventories	1,034
Trade and other receivables	9,977
Bank balances and cash	1,602
Non-current liability	
Long-term loan	(32,294)
Current liabilities	
Trade and other payables	(8,184)
Loan	(15,540)
Net assets acquired	480

33. ACQUISITIONS (CONTINUED)

For the year ended 31 December 2016 (Continued)

(b) Acquisition of SPTek Limited ("SPTek") (Continued)

Goodwill arising from the acquisition

	RMB'000
Consideration transferred	–
Add: fair value of previously held equity interest	427
Add: non-controlling interests	53
Less: recognised amount of identifiable net assets acquired	(480)
Goodwill arising on acquisition	–

There is no goodwill arising on this acquisition.

Net cash inflow arising on the acquisition

	RMB'000
Consideration paid in cash	–
Less: cash and cash equivalent balances acquired	1,602
	1,602

Impact of the acquisition of SPTek on the results of the Group

Included in the profit for the year is RMB4,989,000 losses incurred by SPTek. Revenue for the year includes RMB2,166,000 generated by SPTek.

Had the acquisition been completed on 1 January 2016, total group revenue for the year would have been RMB9,406,665,000, and profit for the year would have been RMB1,717,914,000. The pro-forma financial information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

34. DEEMED DISPOSAL OF A SUBSIDIARY

For the year ended 31 December 2017

On 2 March 2017, the Group entered into a capital increase agreement (the "Agreement") with Huai'an Development Holdings Co., Ltd.*(淮安開發控股有限公司) ("Huai'an Development"), an independent third party and Best Treasure (China) Limited ("Best Treasure"), a connected person of the Company by virtue of it being a company indirectly wholly-owned by Mr. Chin, a substantial shareholder and executive director (as redesignated on 10 August 2017) of the Company, pursuant to which each of Huai'an Development and Best Treasure agreed to make capital contributions into Jiangsu Min'an, a then wholly-owned subsidiary of the Group, up to US$49.7 million respectively, and obtaining in aggregate 87.3% equity interest of Jiangsu Min'an. The capital contribution are to be made before 31 March 2020.

In addition, within two years after the signing of the Agreement, the Group shall be entitled to purchase back from Best Treasure 12.3% of the equity interest in Jiangsu Min'an at the price at which Best Treasure acquired those interests in Jiangsu Min'an under the Agreement (the "Call Option"). The Call Option can be exercised in stages, partial or in full. The Call Option not exercised within the prescribed two-year period will lapse.

For the details of the transaction, please refer to the Company's announcement on 2 March 2017.

As of 31 December 2017, Best Treasure have made capital contribution of US$49.7 million (equivalent to RMB339,957,000) and obtained in aggregate 74.6% equity interest of Jiangsu Min'an. Therefore, the Group owns the remaining 25.4% equity interest in Jiangsu Min'an, which became an associate of the Group since the Group still has significant influence over Jiangsu Min'an. There is no consideration received on the Group's deemed disposal of Jiangsu Min'an.

Analysis of assets and liabilities over which control was lost

	RMB'000
Non-current assets	70,509
Current assets	31,083
Current liabilities	(56,939)
Net assets disposed of	44,653

Gain on deemed disposal of a subsidiary

	RMB'000
Net assets disposed of	(44,653)
Interest in an associate	116,675
Fair value of the Call Option	31,799
Gain on disposal	103,821

34. DEEMED DISPOSAL OF A SUBSIDIARY (CONTINUED)

For the year ended 31 December 2017 (Continued)

Net cash outflow arising on deemed disposal of a subsidiary

	RMB'000
Cash consideration	–
Less: bank balances and cash disposed of	(19,832)
	(19,832)

The impact of Jiangsu Min'an on the Group's results and cash flows in the current and prior period is disclosed below:

During the year, the loss from Jiangsu Min'an before the date of disposal amounted to RMB17,380,000 (2016: RMB34,274,000).

Cash flows from Jiangsu Min'an before the date of disposal:

	2017 RMB'000	2016 RMB'000
Net cash outflow from operating activities	**(21,607)**	(31,080)
Net cash outflow from investing activities	**(4,278)**	(61,552)
Net cash inflow from financing activities	**37,731**	13,262
Net cash inflow (outflow)	**11,846**	(79,370)

35. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments to make the following future minimum lease payments in respect of buildings rented under non-cancellable operating leases which fall due as follows:

	2017 RMB'000	2016 RMB'000
Within one year	9,234	19,566
In the second to fifth year inclusive	12,411	31,378
After five years	8,005	–
	29,650	50,944

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

The Group as lessor

The Group lets a part of its buildings under operating leases. Property rental income earned during the year was RMB11,182,000 (2016: RMB12,383,000).

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

	2017 RMB'000	2016 RMB'000
Within one year	3,230	4,950
In the second to fifth year inclusive	29,217	5,744
Over five years	–	961
	32,447	11,655

36. COMMITMENTS

	2017 RMB'000	2016 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	581,621	275,148

37. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme:

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

Under the 2012 Share Option Scheme, the total number of shares in respect of which options may be granted under the 2012 Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. However, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2012 Share Option Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors, or any of their respective associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders. Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1.00.

The Group has granted a series of share options in 2008, 2011, 2012, 2014 and 2015 under the 2005 Share Option Scheme and 2012 Share Option Scheme, respectively.

At 31 December 2017, the number of shares in respect of which options had been granted and remained outstanding under the 2012 Share Option Scheme was 19,092,600 (2016: 29,575,500), representing 1.67% (2016: 2.6%) of the shares of the Company in issue at end of the reporting period.

37. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme: (Continued)

Details of the specific categories of options are as follows:

Option type	Date of grant	Tranche	Vesting period	Exercise period	Exercise price HK$	Fair value at grant date HK$
2011	10/06/11	A	10/06/11 to 31/01/12	01/02/12 to 12/11/16	10.89	2.99
	10/06/11	B	10/06/11 to 31/01/13	01/02/13 to 12/11/16	10.89	3.38
	10/06/11	C	10/06/11 to 31/01/14	01/02/14 to 12/11/16	10.89	3.69
2012	31/05/12	C	31/05/12 to 29/05/15	30/05/15 to 30/05/17	9.13	2.77
2014-I	16/01/14	A	16/01/14 to 31/05/14	01/06/14 to 31/05/19	15.84	3.99
	16/01/14	B	16/01/14 to 31/05/15	01/06/15 to 31/05/19	15.84	4.64
	16/01/14	C	16/01/14 to 31/05/16	01/06/16 to 31/05/19	15.84	4.97
	16/01/14	E	16/01/14 to 31/05/14	01/06/14 to 31/05/19	15.84	3.63
	16/01/14	F	16/01/14 to 31/05/15	01/06/15 to 31/05/19	15.84	4.43
	16/01/14	G	16/01/14 to 31/05/16	01/06/16 to 31/05/19	15.84	4.86
2014-II	16/01/14	A	16/01/14 to 31/05/15	01/06/15 to 31/05/19	15.84	4.64
	16/01/14	B	16/01/14 to 31/05/16	01/06/16 to 31/05/19	15.84	4.97
	16/01/14	C	16/01/14 to 31/05/17	01/06/17 to 31/05/19	15.84	5.22
2015 (note)	25/03/15	A	25/03/15 to 31/12/15	01/01/16 to 31/12/20	14.08	3.54
	25/03/15	B	25/03/15 to 31/12/16	01/01/17 to 31/12/20	14.08	3.91
	25/03/15	C	25/03/15 to 31/12/17	01/01/18 to 31/12/20	14.08	4.13
	25/03/15	E	25/03/15 to 31/12/15	01/01/16 to 31/12/20	14.08	3.68
	25/03/15	F	25/03/15 to 31/12/16	01/01/17 to 31/12/20	14.08	4.00
	25/03/15	G	25/03/15 to 31/12/17	01/01/18 to 31/12/20	14.08	4.19

Note: For the share options granted in 2015, the tranche A, B and C are granted to directors, while the tranche E, F and G are granted to employees.

37. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme: (Continued)

The following tables disclose movements of the Company's share options held by employees and directors during the year ended 31 December 2017 and 2016:

2017:

Option type	Outstanding at 01/01/2017	Exercised during the year	Forfeited during the year (note)	Outstanding at 31/12/2017
2014-I-A	1,654,550	(1,296,000)	–	358,550
2014-I-B	1,875,550	(1,296,000)	–	579,550
2014-I-C	3,099,400	(1,728,000)	–	1,371,400
2014-I-E	269,750	(73,500)	–	196,250
2014-I-F	304,250	(73,500)	–	230,750
2014-I-G	513,000	(98,000)	–	415,000
2014-II-B	69,200	(69,200)	–	–
2014-II-C	142,800	(58,800)	–	84,000
2015A	3,589,700	(2,067,500)	(61,200)	1,461,000
2015B	5,705,700	(2,067,500)	(61,200)	3,577,000
2015C	7,607,600	–	(81,600)	7,526,000
2015E	772,550	(680,950)	(26,700)	64,900
2015F	1,702,050	(680,950)	(26,700)	994,400
2015G	2,269,400	–	(35,600)	2,233,800
	29,575,500	(10,189,900)	(293,000)	19,092,600
Exercisable at the end of the year				16,858,800
Weighted average exercise price	HK$14.55	HK$14.89	HK$14.08	HK$14.38

37. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-settled share option scheme: (Continued)

2016:

Option type	Outstanding at 01/01/2016	Exercised during the year	Forfeited during the year (note)	Outstanding at 31/12/2016
2011A	4,462,200	(4,462,200)	–	–
2011B	4,462,200	(4,462,200)	–	–
2011C	8,089,600	(8,087,600)	(2,000)	–
2012C	332,000	(332,000)	–	–
2014-I-A	2,564,600	(752,400)	(157,650)	1,654,550
2014-I-B	2,785,600	(752,400)	(157,650)	1,875,550
2014-I-C	3,868,800	(559,200)	(210,200)	3,099,400
2014-I-E	474,750	(199,000)	(6,000)	269,750
2014-I-F	509,250	(199,000)	(6,000)	304,250
2014-I-G	687,000	(166,000)	(8,000)	513,000
2014-II-A	147,000	(128,100)	(18,900)	–
2014-II-B	126,000	(37,900)	(18,900)	69,200
2014-II-C	168,000	–	(25,200)	142,800
2015A	5,943,600	(2,116,000)	(237,900)	3,589,700
2015B	5,943,600	–	(237,900)	5,705,700
2015C	7,924,800	–	(317,200)	7,607,600
2015E	1,820,400	(929,500)	(118,350)	772,550
2015F	1,820,400	–	(118,350)	1,702,050
2015G	2,427,200	–	(157,800)	2,269,400
	54,557,000	(23,183,500)	(1,798,000)	29,575,500
Exercisable at the end of the year				12,147,950
Weighted average exercise price	HK$13.42	HK$11.88	HK$14.67	HK$14.55

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

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$32.70 (2016: HK$22.90).

The Binomial model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the share options.

The Group recognised the total expense of RMB10,810,000 (2016: RMB27,046,000) for the year ended 31 December 2017 in relation to share options granted by the Company.

38. RETIREMENT BENEFITS SCHEME

Defined contribution plans

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

The total cost charged to profit or loss of RMB101,121,000 (2016: RMB80,741,000) represents contributions paid to the retirement benefits scheme by the Group in respect of the current accounting period.

Defined benefit plan

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2017 by Cuni, Rust & Strenk, Fellow of the Society of Actuaries in the USA. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The pension plan has been frozen since 1 January 2007.

The total cost charged to profit or loss is RMB948,000 (2016: RMB4,043,000), representing the net interest on the net defined benefit liability.

38. RETIREMENT BENEFITS SCHEME (CONTINUED)

Defined benefit plan (Continued)

The actuarial valuation showed that the market value of plan assets was RMB40,934,000 (2016: RMB38,807,000) and that the actuarial value of these assets represented 72.35% (2016: 65.5%)of the benefits that had accrued to members. The shortfall of RMB15,646,000 (2016: RMB20,443,000) is to be cleared by the contributions to be made by the Group in the future years.

	2017 **RMB'000**	2016 RMB'000
Present value of funded defined benefit obligations	**56,580**	59,250
Fair value of plan assets	**(40,934)**	(38,807)
Funded status and net liability arising from defined benefit obligation	**15,646**	20,443

39. OTHER LONG-TERM LIABILITY

During the year ended 31 December 2017, the Group entered into an agreement with a local government agency in the PRC, who agreed to inject capital contribution amounting to RMB100,000,000 into Jiaxing Kittel-Minth Automotive Parts Co., Ltd. ("Jiaxing Kittel-Minth"), a subsidiary of the Group, in form of equity investment which represents 22.4% equity interest in Jiaxing Kittel-Minth. Pursuant to the capital injection agreement, the local government agency will not participate in Jiaxing Kittel-Minth's operation and management. The local government agency has the right to ask the Group and the Group is obligated to redeem the capital injection from the local government agency either three years or five years after the receipt of the capital contribution, with interest calculated based on one-year bank deposit benchmark rate stipulated by the People's Bank of China. Therefore, the capital contribution made by the local government agency is treated as a long-term liability.

40. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31 December 2017, Cheerplan HK has completed all the procedures which enable Cheerplan HK to obtain the control over UATC on 30 January 2018. Such acquisition will constitute a business combination of the Group under IFRS 3, the initial accounting for the business combination is incomplete at the time the consolidated financial statements are authorised for issue. The Directors are still in process of assessing the financial implication in respect of this acquisition.

41. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

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

Relationship with related/connected party	Nature of transactions	2017 RMB'000	2016 RMB'000
A joint venture, in which the Company has a 50% equity interest	Sales of finished goods	**57,699**	36,438
	Sales of raw materials	**111**	1,667
	Purchases of raw materials	**28,814**	24,453
	Purchases of semi-finished/finished goods	**2,995**	1,675
	Purchases of fixed assets	**1,401**	1,033
	Utilities income	**138**	–
	Property rental income	**–**	1,211
An associate, in which the Company has a 35% equity interest	Sales of raw materials and moulds	**2,923**	3,906
An associate, in which the Company has a 49% equity interest	Sales of finished goods	**56,944**	33,325
	Sales of raw materials	**4,220**	6,223
	Sales of moulds	**4,086**	41,215
	Purchases of finished goods	**10,582**	6,952
	Purchases of raw materials	**3,733**	6,463
	Sales of property, plant and equipment	**2,064**	5,389
An associate, in which the Company has a 30% equity interest	Sales of finished goods/raw materials	**1,665**	N/A
	Purchases of finished goods	**5,229**	N/A
	Purchases of raw materials	**12,397**	N/A
An associate, in which the Company has a 30% equity interest	Sales of finished goods	**16,719**	–
Non-controlling shareholders of subsidiaries	Sales of finished goods	**24,842**	12,077
	Purchases of raw materials and moulds	**48,933**	25,922
	Technology support services charges	**33,904**	15,455
Companies in which Mr. Chin and his family have control	Purchases of finished goods	**6,910**	2,911

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

	2017 RMB'000	2016 RMB'000
Short-term benefits	**16,517**	16,929
Post-employment benefits	**182**	156
Share-based payments	**2,262**	5,555
	18,961	22,640

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

42. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**7,323,184**	6,391,315
Available-for-sale investments	**–**	91,190
Derivative financial assets	**31,709**	34,443
Financial liabilities:		
Amortised cost	**5,004,963**	3,220,256
Derivative financial liabilities	**28,616**	6,586

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

The Group's exposure to foreign currency risk is arising mainly from:

(1) The Company and certain subsidiaries have bank balances denominated in foreign currencies.

(2) Certain subsidiaries of the Group also have foreign currency denominated sales and purchases and certain trade receivables and payables of these subsidiaries are denominated in foreign currencies.

(3) The Company and certain subsidiaries also have borrowings denominated in foreign currencies.

42. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (Continued)

(i) Currency risk (Continued)

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the end of reporting period are as follows:

	Liabilities		Assets	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
US$	**808,945**	334,875	**1,214,303**	369,263
EUR	**150,186**	296,252	**150,800**	193,617
JPY	**43,089**	44,478	**24,175**	5,199
HK$	**383,861**	49,276	**40,518**	24,598
	1,386,081	724,881	**1,429,796**	592,677

The Group entered into certain foreign exchange forward contracts, currency swap contracts and structural option contracts to mitigate its foreign currency exposure.

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2016: 5%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes (i) outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2016: 5%) change in foreign currency rates; (ii) outstanding foreign currency forward contracts adjusts for a 5% (2016: 5%) change in foreign currency rates at the year end; and (iii) outstanding structural option contracts and adjusts for a 5% (2016: 5%) change in foreign currency rates at the year end; and (iv) outstanding currency swap contracts and adjusts for a 5% (2016: 5%) change in foreign currency rates at the year end. A positive number below indicates an increase in post-tax profit where RMB strengthens 5% (2016: 5%) against the relevant currency while a negative number indicates a decrease in post-tax profit.

	2017 RMB'000	2016 RMB'000
If RMB strengthens against US$	**(20,923)**	(1,243)
If RMB weakens against US$	**20,923**	1,243
If RMB strengthens against EUR	**1,252**	4,311
If RMB weakens against EUR	**(1,252)**	(4,311)
If RMB strengthens against JPY	**799**	1,644
If RMB weakens against JPY	**(799)**	(1,644)
If RMB strengthens against HK$	**14,438**	1,036
If RMB weakens against HK$	**(14,438)**	(1,036)

42. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits and bank borrowings (see notes 28 and 30).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (see notes 28 and 30).

The Group's exposures to interest rates on interest rate swap contracts, structural option contracts and cross currency swaps are detailed in the liquidity risk management section of this note.

The Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate financial instruments (including bank balances and borrowings) at the end of the reporting period. The analysis is prepared assuming the balances outstanding at the end of the reporting period were outstanding for the whole year. A 10 basis point (2016: 10 basis point) increase or decrease in interest rates on variable-rate bank balances and a 50 basis point (2016: 50 basis point) increase or decrease in interest rates on variable-rate borrowings represent management's assessment of the reasonably possible change in interest rates.

If interest rates on variable-rate bank balances had been 10 basis point (2016: 10 basis point) higher/lower and all other variables were held constant, the Group's post-tax profit would have increased/decreased by RMB1,566,000 (2016: increased/decreased by RMB1,682,000). If interest rates on variable -rate borrowings had been 50 basis point (2016: 50 basis point) higher/lower and all other variables were held constant, the Group's post-tax profit would have decreased/increased by RMB10,485,000 (2016: decreased/increased by RMB4,373,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and borrowings.

42. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the Directors have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the majority of the counterparties are state-owned banks in the PRC or those banks with good reputation.

The Group has concentration of credit risk on trade receivables. At 31 December 2017, the Group's ten largest customers accounted for 40% (2016: 43%) of the total trade receivables.

The Group reviews the recoverable amount of the trade receivables and loans receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts, if any. In these regards, the Directors consider that the credit risk of the Group has been significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 81% (2016: 78%) of the total trade receivables as at 31 December 2017.

Liquidity risk

The Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. In addition, the following tables detail the Group's liquidity analysis for its derivative instruments. The tables have been drawn up based on the undiscounted net inflows and outflows on those derivatives.

42. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk (Continued)

Liquidity tables

	Weighted average interest rate %	Repayable on demand or less than three months RMB'000	Three months to six months RMB'000	Six months to one year RMB'000	More than one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2017							
Non-derivative financial liabilities							
Trade and other payables	–	2,409,977	–	–	–	2,409,977	2,409,977
Borrowings	2.23	1,822,467	353,662	329,967	–	2,506,096	2,493,574
Other long-term liability	1.50	–	–	–	103,095	103,095	101,412
		4,232,444	353,662	329,967	103,095	5,019,168	5,004,963
Derivative – gross settlement							
Foreign currency forward contracts							
– inflow		(238,999)	(40,814)	(6,770)	–	(286,583)	(286,583)
– outflow		240,162	40,697	6,649	–	287,508	287,508
Derivatives – net settlement							
Interest rate swap contracts							
– net inflow		–	–	–	(1,757)	(1,757)	(1,757)
Call option							
– net inflow		–	–	–	(28,750)	(28,750)	(28,750)
Cross currency swap contracts							
– net inflow		–	(224)	–	–	(224)	(224)
– net outflow		–	23,755	–	2,879	26,634	26,634
Structural option contracts							
– net inflow		–	79	–	–	79	79
		1,163	23,493	(121)	(27,628)	(3,093)	(3,093)

42. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk (Continued)

Liquidity tables (Continued)

	Weighted average interest rate %	Repayable on demand or less than three months RMB'000	Three months to six months RMB'000	Six months to one year RMB'000	More than one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2016							
Non-derivative financial liabilities							
Trade and other payables	–	1,774,381	–	–	–	1,774,381	1,774,381
Borrowings	2.80	846,886	131,286	479,589	–	1,457,761	1,445,875
		2,621,267	131,286	479,589	–	3,232,142	3,220,256
Derivative – gross settlement							
Foreign currency forward contracts							
– inflow		(3,758)	(1,114)	–	–	(4,872)	(4,872)
– outflow		940	3,823	–	–	4,763	4,763
Derivatives – net settlement							
Interest rate swap contracts							
– net inflow		–	–	–	(1,846)	(1,846)	(1,846)
Cross currency swap contracts							
– net inflow		–	(22,285)	–	(4,824)	(27,109)	(27,109)
– net outflow		–	1,823	–	–	1,823	1,823
Structural option contracts							
– net inflow		(61)	(555)	–	–	(616)	(616)
		(2,879)	(18,308)	–	(6,670)	(27,857)	(27,857)

The amounts included above for variable-rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

The fair value of available-for-sale financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.

The fair value of derivative instruments is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

42. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and input(s) used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Financial assets/financial liabilities	Fair value as at 31/12/2017	Fair value as at 31/12/2016	Fair value hierarchy	Basis of fair value measurement/valuation technique(s) and key input(s)
1)	Available-for-sale investments	Nil	Listed equity securities on the Shanghai Stock Exchange: – Automobile manufacturing industry – RMB91,190,000	Level 1	For listed equity securities, quoted bid prices in an active market.
2)	Foreign exchange forward contracts	Assets – RMB978,000 Liabilities – RMB1,903,000	Assets – RMB4,872,000 Liabilities – RMB4,763,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3)	Structural option contracts	Liabilities – RMB79,000	Assets – RMB616,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward exchange rates as determined by the actual exchange rates on each maturity date, discounted at a rate that reflects the credit risk of various counterparties.

42. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

	Financial assets/financial liabilities	Fair value as at 31/12/2017	Fair value as at 31/12/2016	Fair value hierarchy	Basis of fair value measurement/ valuation technique(s) and key input(s)
4)	Cross currency swaps	Assets – RMB224,000 Liabilities – RMB26,634,000	Assets – RMB27,109,000 Liabilities – RMB1,823,000	Level 2	Discounted cash flow. Future cash flows are estimated based on applicable yield curves derived from quoted interest rates, contracted interest rates on each maturity date and forward exchange rate and contracted forward rate at the end of the final maturity date, discounted at a rate that reflects the credit risk of various counterparties.
5)	Interest rate swaps	Assets – RMB1,757,000	Assets – RMB1,846,000	Level 2	Discounted cash flow. Future cash flows are estimated based on applicable yield curves derived from quoted interest rates and contracted interest rates on each maturity date and contracted forward interest rate at the end of the final maturity date, discounted at a rate that reflects the credit risk of various counterparties.
6)	Call Option classified as derivative financial assets	Assets – RMB28,750,000	Nil	Level 3	Fair value is derived using Black-Scholes model and Binomial Tree computation method. The key parameters used include time to maturity, exercise price, risk-free rate, dividend yield and volatility.

There were no transfers among Level 1 to 3 in the current and prior years.

(d) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 30 net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

	Borrowings RMB'000 (note 30)	Other long-term liability RMB'000 (note 39)	Dividend payable RMB'000 (note 12)	Interest payable RMB'000 (note 29)	Total RMB'000
At 1 January 2017	1,445,875	–	–	8,676	1,454,551
Financing cash flows	1,094,228	100,000	(676,043)	(93,618)	424,567
Net foreign exchange gains	(23,177)	–	–	–	(23,177)
Interest expenses	–	1,412	–	93,503	94,915
Dividend recognised as distribution	–	–	676,043	–	676,043
Exchange difference arising on translation of foreign operation	(23,352)	–	–	–	(23,352)
At 31 December 2017	2,493,574	101,412	–	8,561	2,603,547

44. SUBSIDIARIES

Details of the Company's material subsidiaries as at 31 December 2017 and 31 December 2016 are as follows:

Name of subsidiary	Place of Incorporation/ registration/operations	Attributable equity interest of the Group 2017	2016	Issued capital/ registered capital	Principal activities
Enboma Investments Limited	British Virgin Islands	**100%**	100%	US$46,000,000	Investment holding
展圖(香港)有限公司 (Cheerplan (HK) Limited)	Hong Kong	**100%**	100%	HK$4,620,219,992	Investment holding
嘉興司諾投資有限公司 (Jiaxing Sinoone Investments Co., Ltd.)*	the PRC as a wholly-owned foreign investment enterprise ("WOFE")	**100%**	100%	US$98,000,000	Investment holding
寧波信泰機械有限公司 (Ningbo Shintai Machines Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$27,340,000	Design, manufacture, development and sales of automobile body parts
天津信泰汽車零部件有限公司 (Tianjin Shintai Automotive Parts Co., Ltd.)*	the PRC as a sino foreign equity joint venture enterprise	**95.7%**	80.2%	US$11,550,000	Manufacture and sales of automobile body parts
廣州敏瑞汽車零部件有限公司 (Guangzhou Minrui Automobile Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$16,000,000	Manufacture and sales of automobile body parts

44. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of Incorporation/ registration/operations	Attributable equity interest of the Group 2017	2016	Issued capital/ registered capital	Principal activities
嘉興敏惠汽車零部件有限公司 (Jiaxing Minhui Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$136,510,000	Manufacture and sales of automobile body parts
嘉興敏勝汽車零部件有限公司 (Jiaxing EL Triumph Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$17,700,000	Manufacture and sales of automobile body parts
展圖(中國)投資有限公司 (Cheerplan (China) Investments Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$293,310,000	Investment holding
嘉興敏實機械有限公司 (Jiaxing Minth Machines Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$70,000,000	Design, manufacture, development and sales of automobile body parts
Minth Aapico (Thailand) Co., Ltd.	Thailand	**60%**	60%	Thai Baht ("THB") 378,500,000	Design, manufacture, development and sales of automobile body parts
寧波泰甬汽車零部件有限公司 (Ningbo Taiyong Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$32,000,000	Manufacture and sales of automobile body parts
嘉興國威汽車零部件有限公司 (Jiaxing Guowei Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$23,500,000	Design, manufacture, development and sales of automobile body parts
廣州敏實汽車零部件有限公司 (Guangzhou Minth Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$30,000,000	Design, manufacture, development and sales of automobile body parts
煙臺和瑞汽車零部件有限公司 (Yantai Herui Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$10,000,000	Design, manufacture, development and sales of automobile body parts
淮安和泰汽車零部件有限公司 (Huaian Hetai Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$20,000,000	Manufacture, development and sales of automobile body parts and battery for electric vehicle
淮安和通汽車零部件有限公司 (Huaian Hetong Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$12,000,000	Manufacture, development and sales of automobile body parts and motor system for electric vehicle
武漢和盛汽車零部件有限公司 (Wuhan Hesheng Automotive Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$27,000,000	Design, manufacture, development and sales of automobile body parts

44. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of Incorporation/ registration/operations	Attributable equity interest of the Group 2017	Attributable equity interest of the Group 2016	Issued capital/ registered capital	Principal activities
武漢東海敏實汽車零部件有限公司 (Wuhan Tokai Minth Automotive Parts Co., Ltd.)* (Note i)	the PRC as a foreign equity joint venture enterprise	50%	50%	US$10,000,000	Design, manufacture, development and sales of automobile body parts
Minth International Macau Commercial Offshore Limited	Macau	100%	100%	Macau Pataca 100,000	Import and export trading, logistics, technology import, and investment holding
江蘇和興汽車科技有限公司 (Jiangsu Hexing Automotive Technology Co., Ltd.)*	the PRC as a WOFE	100%	100%	US$80,000,000	Design, manufacture, development and sales of automobile body parts
Minth Automobile Part (Thailand) Co., Ltd.	Thailand	100%	100%	THB800,000,000	Manufacture and sales of automobile body parts
北京敏實汽車零部件有限公司 (Beijing Minth Automotive Parts Co., Ltd.)*	the PRC as a WOFE	100%	100%	RMB65,000,000	Design, manufacture, development and sales of automobile body parts
鄭州敏惠汽車零部件有限公司 (Zhengzhou Minhui Automotive Parts Co., Ltd.)*	the PRC as a WOFE	100%	100%	RMB90,000,000	Design, manufacture and sales of automobile body parts
天津敏信機械有限公司 (Tianjin Minshin Machines Co., Ltd.)*	the PRC as a WOFE	100%	100%	US$13,210,000	Research and development, design, production and sales of automobile parts and related products
敏實投資有限公司 (Minth Investment Limited)*	the PRC as a WOFE	100%	100%	US$195,500,000	Investment holding
清遠敏惠汽車零部件有限公司 (Qingyuan Minhui Automotive Parts Co., Ltd.)*	the PRC as a WOFE	100%	100%	US$27,300,000	Manufacture and sales of automobile body parts
銘仕國際有限公司 (Minth International Limited)	Hong Kong	100%	100%	HK$4,000,000	Import and export trading, logistics, technology import, and investment holding
CST GmbH	Germany	100%	100%	EUR250,000	Manufacture and sales of automobile body parts
湖州恩馳汽車有限公司 (Huzhou Enchi Automotive Co., Ltd.)*	the PRC as a WOFE	100%	100%	RMB586,700,000	Manufacture of bus and modified car

44. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of Incorporation/ registration/operations	Attributable equity interest of the Group 2017	2016	Issued capital/ registered capital	Principal activities
湖州敏馳汽車有限公司 (Huzhou Minchi Automotive Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$75,000,000	Development of pure electric vehicle, development and sales of new energy automobile body parts
嘉興裕廷房地產開發有限公司 (Jiaxing Yuting Properties Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	RMB80,000,000	Develop and manage of ordinary real estate, property management
江蘇敏安電動汽車有限公司 (Jiangsu Min'an Electric Cars Co., Ltd.)* (Note ii)	the PRC as a WOFE	**25.4%**	100%	US$33,000,000	Design, development and wholesale of automobile body parts for electric vehicle
Plastic Trim International, Inc.	the USA	**100%**	100%	US$16,700,000	Design, manufacture, development and sales of automobile body parts
寧波敏實汽車電子科技有限公司 (Ningbo Minth Automotive Electronics Technology Co., Ltd.)*	the PRC as a WOFE	**89.1%**	89.1%	US$22,450,000	Design, manufacture, import and export of automobile electronics and optical parts
嘉興敏德汽車零部件有限公司 (Jiaxing Dura Minth Automotive Parts Co.,Ltd.)*	the PRC as a WOFE	**100%**	100%	US$10,000,000	Design, manufacture, development and sales of automobile body parts
浙江敏泰汽車零部件有限公司 (Zhejiang Min Tai Technology Co., Ltd.)*	the PRC as a WOFE	**100%**	N/A	US$20,000,000	Design, manufacture and sales of automobile body parts
Minth Mexico, S.A. DE C.V.	Mexico	**100%**	100%	US$9,185,424	Design, manufacture, development and sales of automobile body parts
Minth Mexico Coating, S.A. de C.V.	Mexico	**100%**	100%	US$100,000,000	Design, manufacture, import, export and sales of automobile body parts
Minth Tennessee International, LLC	the USA	**100%**	N/A	US$3,999,000	Design, manufacture and sales of automotive parts

44. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of Incorporation/ registration/operations	Attributable equity interest of the Group 2017	Attributable equity interest of the Group 2016	Issued capital/ registered capital	Principal activities
清遠敏實汽車零部件有限公司 (Qingyuan Minth Automobile Parts Co., Ltd.)*	the PRC as a WOFE	**100%**	N/A	US$61,500,000	manufacture and sales of automobile body parts
浙江敏盛汽車零部件有限公司 (Zhejiang Minsheng Automotive Co., Ltd.)*	the PRC as a WOFE	**100%**	N/A	US$20,000,000	manufacture and sales of automobile body parts
寧波敏實汽車零部件技術研發有限公司 (Ningbo Minth Automotive Parts Research & Development Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$26,500,000	Design, manufacture and sales of metal moulds and automobile body parts manufacturing equipment
嘉興信元精密模具科技有限公司 (Jiaxing Shinyou Mould Tech Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$14,000,000	Design and manufacture of mould
敏實汽車技術研發有限公司 (Minth Automotive Technology Research & Development Co., Ltd.)*	the PRC as a WOFE	**100%**	100%	US$20,000,000	Design, manufacture and sales of metal moulds and automobile body parts manufacturing equipment
浙江信正精密科技有限公司 (Zhejiang Xinzheng Precision Technology Co., Ltd.)*	the PRC as a WOFE	**100%**	N/A	US$15,000,000	Design, manufacture and sales of moulds
浙江敏誠自動化科技有限公司 (Zhejiang Min Cheng Technology Co., Ltd.) *	the PRC as a WOFE	**100%**	N/A	US$10,000,000	Design, manufacture and sales of automation machines, software and production lines

* The English names are for identification purposes only.

Note i By virtue of shareholders' agreement, or terms set out in the articles of association of the relevant entities, the Group has control over these entities in which the Group has the right to variable returns from its involvement with the entities and use its power to affect such returns through its majority voting power at meetings of the relevant governing bodies of the entities.

Note ii During the year, Jiangsu Min'an became an associate of the Group. Details please refer to the note 34.

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

45. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2017 RMB'000	2016 RMB'000
Unlisted investments in subsidiaries	**859,309**	757,651
Furniture and equipment	**62**	130
Derivative financial assets	**–**	8,014
Bank balances and cash	**95,336**	287,906
Amounts due from subsidiaries	**9,778,360**	4,820,874
Loans to subsidiaries	**130,866**	–
Other current assets	**14,669**	16,669
Total assets	**10,878,602**	5,891,244
Amounts due to subsidiaries	**2,542,199**	3,490,646
Borrowings	**1,705,456**	772,271
Loans from subsidiaries	**776,039**	894,165
Other payables	**20,778**	40,243
Total liabilities	**5,044,472**	5,197,325
Net assets	**5,834,130**	693,919
Share capital	**114,425**	113,532
Reserves	**5,719,705**	580,387
Total equity	**5,834,130**	693,919

45. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Movement in the reserves of the Company is set forth below:

	Share premium and retained profits RMB'000	Special reserve RMB'000	Other reserve RMB'000	Share options reserve RMB'000	Total RMB'000
At 1 January 2016	421,208	410,321	7,274	126,262	965,065
Total comprehensive expense for the year	(122,384)	–	–	–	(122,384)
Recognition of share-based payments	–	–	–	27,046	27,046
Dividends recognised as distribution	(520,453)	–	–	–	(520,453)
Transfer to other reserve for share options forfeited after the vesting date	–	–	3,106	(3,106)	–
Exercise of share options	298,906	–	–	(67,793)	231,113
At 31 December 2016	77,277	410,321	10,380	82,409	580,387
Total comprehensive income for the year	**5,672,183**	**–**	**–**	**–**	**5,672,183**
Recognition of share-based payments	**–**	**–**	**–**	**10,810**	**10,810**
Dividends recognised as distribution	**(676,043)**	**–**	**–**	**–**	**(676,043)**
Transfer to other reserve for share options forfeited after the vesting date	**–**	**–**	**523**	**(523)**	**–**
Exercise of share options	**165,544**	**–**	**–**	**(33,176)**	**132,368**
At 31 December 2017	**5,238,961**	**410,321**	**10,903**	**59,520**	**5,719,705**

46. SIGNIFICANT EVENT

On 11 April 2014, the Securities and Futures Commission ("SFC") served a petition to the Company and also named as respondents the Company, its wholly-owned subsidiary, Decade (HK) Limited ("Decade") and several of the executive directors/then executive director of the Company, in respect of the Group's acquisition of Talentlink Development Limited and Magic Figure Investments Limited ("Talentlink HK" and "Magic Figure") from the nephew and niece of Mr. Chin (the "Acquisition"). The executive directors/then executive director named in the petition are Mr. Chin, Mr. Shi and Mr. Zhao Feng.

In summary, the SFC petition alleges that, in connection with the Acquisition approved by shareholders of the Company in 2009, there has been incorrect or misleading disclosure or a failure to disclose information relating to the Acquisition and as a result, there has been misfeasance or other misconduct towards the Company and some or all of its shareholders and that, further, some or all of its shareholders have not been given information that they might reasonably expect or that there has been unfair prejudice to some or all of its shareholders. The SFC petition also alleges that Mr. Chin was the true beneficial owner of Magic Figure and Talentlink HK and that the Acquisition was not genuine and is void or voidable. For more details, please refer to the SFC petition dated 10 April 2014 (available to the public at the High Court of Hong Kong) and the Company's announcement on 14 April 2014 regarding the legal proceedings.

The SFC does not seek any claim for compensation against the Group and has joined the Company and Decade as parties to the legal proceedings in connection with claims the SFC makes against the relevant executive directors of the Company at the time so that in the event the SFC succeeds in its claims against the relevant executive directors at the time, the SFC can seek consequential orders from the court for the benefit of the Company.

The Directors are of the opinion that Magic Figure and Talentlink HK have been subsidiaries of the Company since completion of the Acquisition and that the SFC petition does not have any significant impact on the consolidated financial statements of the Group for the year ended 31 December 2017.

The first three directions hearings in connection with the SFC petition took place on 9 July 2014, 31 October 2014 and 11 February 2015, respectively. On 27 June 2016, the SFC indicated that it intended to amend its petition in the court proceedings to add further particulars. On 30 August 2016, the SFC was granted leave by the court to amend its petition in the court proceedings to add further particulars. On 30 November 2016, the Directors filed their respective amended points of defence. As at the date of the report, pre-trial review is fixed on 24 July 2019, and trial hearing of the proceedings is fixed on 14 October 2019 with 25 days reserved.