



浙江展望股份有限公司

ZHEJIANG PROSPECT COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code : 8273)

2016 ANNUAL REPORT



** for identification purpose only*

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* For identification purpose only

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Fei Guo Yang (*Chairman*)
 Mr. Hong Guo Ding (*Managing Director*)
 Mr. Hong Chun Qiang

Non-executive Directors

Mr. Tang Cheng Fang
 Mr. Li Zhang Rui
 Ms. Tang Jing Jing

Independent non-executive Directors

Mr. Wang He Rong
 Mr. Lu Guo Qing
 Mr. Ma Hong Ming

Supervisors

Mr. Hong Jin Shui
 Mr. Feng Yun Lin
 Mr. Chen Jin Long

Independent Supervisors

Mr. Wang Zhong
 Mr. Wang Ye Gang

Company Secretary

Ms. Kwok Pui Ching CPA (resigned on 8 March 2017)
 Mr. Fung Siu Kei CPA (appointed on 8 March 2017)

Audit Committee (the "Audit Committee")

Mr. Wang He Rong
 Mr. Lu Guo Qing
 Mr. Ma Hong Ming

Nomination Committee (the "Nomination Committee")

Mr. Wang He Rong
 Mr. Lu Guo Qing
 Mr. Ma Hong Ming

Remuneration Committee (the "Remuneration Committee")

Mr. Wang He Rong
 Mr. Lu Guo Qing
 Mr. Ma Hong Ming

Compliance Officer

Mr. Hong Guo Ding

Authorized Representatives

Mr. Fei Guo Yang
 Mr. Hong Guo Ding

Authorized Person To Accept Service Of Process And Notice

Loong & Yeung
 Room 1603, 16/F, China Building
 29 Queen's Road Central
 Central, Hong Kong

Auditor

Crowe Horwath (HK) CPA Limited

Legal Advisers as to Hong Kong Laws

Loong & Yeung

Principal Bankers

China Construction Bank, Shaoxing City Branch
 Shaoxing County Credit Union, Jiangqiao Sub-office
 Shaoxing Branch of Bank of China

Hong Kong Share Registrar and Transfer Office

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

Registered Office

Zhanwang Village
 Yangxunqiao Town
 Keqiao District
 Shaoxing City
 Zhejiang Province
 The People's Republic of China

Principal Place of Business in Hong Kong

Room 1603, 16/F, China Building
 29 Queen's Road Central
 Central, Hong Kong

GEM Stock Code

08273

Chairman's Statement

I am pleased to present to our shareholders the annual report of Zhejiang Prospect Company Limited* (the "Company") for the year ended 31 December 2016.

BUSINESS REVIEW

Due to the depression of the global economy, the Company's had a decrease in sales in 2016. Under the leadership of the Company's board (the "Board") of directors (the "Directors"), the staff of the Company will continue to commit and work hard to lay a firm foundation for further growth of the Company.

The Company is principally engaged in the manufacture and sale of universal joints for automobiles. The Company has three main product categories, being cardan universal joints, wing bearing universal joints and transmission shaft.

In order to develop new markets and new customers, new products were tailored by the Company for customers' needs and special efforts were made to develop new overseas markets. The total number of universal joints produced and sold in 2016 amounted to approximately 6.54 million sets and approximately 6.98 million sets, respectively, representing a decrease of approximately 10.53% and decrease of approximately 2% respectively as compared to approximately 7.31 million sets and approximately 7.12 million sets in 2015.

Turnover for the year ended 31 December 2016 amounted to approximately RMB62.04 million, representing a decrease of approximately 10.22% as compared to RMB69.10 million for the year ended 31 December 2015. Net losses after tax amounted to approximately RMB14.20 million, a decrease of approximately 130.92% as compared to a net profit of RMB45.91 million for the year ended 31 December 2015. The decrease in turnover was mainly due to the decrease in demand from foreign corporations customers.

BUSINESS OBJECTIVES AND OUTLOOK

The principal business objectives of the Company are to enhance "Zhanwang" as a leading brand name in the People's Republic of China (the "PRC") automobile parts and components market and become a major player in the global market for the procurement and supply of universal joints. To achieve these objectives, the Directors intend to implement the following business strategies:

Expand the production capacity of primary products

The Directors believe that the development of the automotive parts and components industry in the PRC is closely related to the automobile industry. Due to the rapid development of the PRC economy and the country's rising living standard, both corporate and personal demands for automobiles have been increasing, which in turn would drive up demands for automotive parts and components. Accordingly, the Company will strive towards the expansion of production capacity for universal joints by modification and increasing investments in both equipment and other property, plant and equipment.

Expand product types

In order to increase the competitiveness of the Company and to satisfy the demands of customers, the Company will further expand its product types, including developing different product models and specifications.

Chairman's Statement

Strengthen product research and development

The Company will run a parallel system that encompasses both in-house research and development and collaborative arrangement with external partners for the development of products. It is intended that more experienced research and development personnel will be recruited and more rigorous training and learning opportunities will be provided to the research and development staff in order to establish a strong research and development team. In addition, the Company will increase its investment in research and development equipment in order to attain better research and development capability and to create a wider spectrum of products with richer specification offerings. The Company will also seek strategic partners in order to upgrade its existing products and facilitate the development of new production technologies.

Expand the PRC and international markets

The Directors believe that the expansion of the Company's domestic and overseas sales networks will enhance its product sales.

The Company intends to expand its market share both in the PRC and worldwide. For the PRC market, the Company intends to increase its market share by expanding its sales and marketing team as well as establishing sales networks in certain regions of the PRC. Currently, the Company plans to establish its sales network in the central and south-western parts of the PRC and procure business relations with more import and export corporations in the PRC. The Company also intends to further expand its own export networks by boosting its direct export sales. In addition, the Company will strengthen its brand name promotion by means of media advertising, distribution of promotional materials and participation in automobile exhibitions to enhance the publicity of the Company. At present, the Company has its own product brand name, namely, Zhanwang. The Directors believe that a brand name is crucial to the Company's marketing strategy as it can fully present the premium quality of its products, enhance customers' recognition of the Company's products and facilitate the promotion of its products.

Continually improve product quality

The Company has obtained the TSI6949 Quality System Certification. On this basis, the Company will continue to strengthen its quality management and strive to enhance its product quality and reduce production costs of its products. The Directors believe that high product quality and more competitive pricing will be the key to substantially increasing the market competitiveness of its products.

LOOKING AHEAD

We believe that our experienced management team and dedicated staff members are the key to our success. We would like to take this opportunity to extend our thanks to them for their commitment and support for the year.

Zhejiang Prospect Company Limited*

Fei Guo Yang

Chairman

Zhejiang Province, the PRC

* For identification purpose only

Management Discussion and Analysis

BUSINESS OVERVIEW

Due to the depression of worldwide economy, there is a decrease in the sales of the Company in 2016. Under the leadership of the Board, the staff will continue to work hard to lay a firm foundation for the growth of the Company.

The Company is principally engaged in the manufacture and sale of universal joints for automobiles.

BUSINESS REVIEW

The Company has three main product categories, comprising cardan universal joints, wing bearing universal joints and drive shaft. Due to the rapid development of the PRC economy and the country's rising living standard, both corporate and individual demands for automobiles have increased during the year ended 31 December 2016, which in turn would drive up demands for automobile parts and components.

The Company's products are distributed through its own sales force to transmission shaft factories as well as automobile repair factories in the PRC. These domestic sales represented approximately 16.88% of the total turnover in 2016, as compared to approximately 12.2% of the total turnover in 2015. In addition, the Company sells its products to import and export corporations in the PRC, which accounted for approximately 18.72% and approximately 21.66% of the total turnover in 2016 and 2015 respectively. The Company has been selling its products directly to overseas customers in countries and regions including Russia, Turkey, Mexico, the United States, India, Italy and Japan. For 2016, direct sales to overseas customers represented approximately 64.4% (2015: approximately 66.14%) of the Company's total turnover.

AUTOMOBILES COMPONENTS AND PARTS INDUSTRY

The rapid and enormous growth of both annual production and ownership of automobiles among the public in the PRC provides a broad base for the development of the automobile parts and components industry in the PRC. The lower costs in labour in the PRC serves an important function in reducing the cost of manufacturing automobile parts and components. Together, these factors have made the PRC automotive parts and components industry an attractive centre for investment.

DEVELOPMENT OF NEW PRODUCTS

During 2016, the Company continued to develop new models and specifications of wing bearing universal joints and heavy-duty series of universal joints.

TURNOVER

Turnover amounted to approximately RMB62.04 million in 2016, representing a decrease of approximately 10.22% as compared to a turnover of approximately RMB69.10 million in 2015. For the year ended 31 December 2016, export sales of approximately RMB39.95 million were contributed by overseas (including Hong Kong) customers, sales of approximately RMB11.61 million were attributable to the import and export companies, which were then sold to various overseas markets, and domestic sales were approximately RMB10.48 million for the year ended 31 December 2016.

Management Discussion and Analysis

COST OF SALES AND GROSS PROFIT

Cost of sales decreased from approximately RMB55.93 million in 2015 to approximately RMB52.96 million in 2016, representing a decrease of approximately 5.31% as compared to the previous year. Gross profit margin of the Company's products decreased to 14.63% in 2016 as compared to 19.06% in 2015 primarily due to increase in raw material cost and cost of maintenance and repair.

OTHER REVENUE

Other operating income in 2016 amounted to approximately RMB0.46 million, representing a decrease of approximately 99.20% from that of approximately RMB57.49 million in 2015. This was mainly due to the decrease in the income from gain on disposal of property, plant and equipment.

DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

Distribution costs for 2016 totaled to approximately RMB1.58 million. This represents a decrease of approximately 11.24% from that of approximately RMB1.78 million in 2015. The decrease was in line with the decrease in turnover.

In 2016, administrative expenses of the Company were approximately RMB11.24 million, representing an increase of approximately 8.29% compared to that of approximately RMB10.38 million in 2015. The increase in administrative expenses was mainly due to increase of rental expenses.

OTHER OPERATING EXPENSE

Other operating expense amounted to approximately RMB10.90 million in 2016 (2015: approximately RMBNil), which comprises the impairment loss on property, plant and equipment. As at 31 December 2016, the recoverable amount of the property, plant and equipment was assessed by the Board. The Board is of the opinion that the decrease in the recoverable amount of the property, plant and equipment was mainly attributable to severe and challenging market conditions towards the end of 2016 and 2015.

For further details, please refer to note 15 to the financial statements in this annual report.

FINANCE COSTS

In the financial year of 2016, the other finance costs of approximately RMB2,000 represent a decrease of approximately 99.46% from that of approximately RMB0.37 million, including the interest on interest-bearing borrowings, in 2015.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition and disposal of subsidiaries, associates and joint ventures by the Company during the year ended 31 December 2016.

Management Discussion and Analysis

EXPOSURE IN EXCHANGE RATE FLUCTUATIONS

The business operations of the Company were conducted mainly in the PRC with revenues mainly denominated in USD and RMB and expenses denominated mainly in RMB.

Among the Company's trade receivables, net of provision, approximately 54.97% (2015: 43.00%) were denominated in USD and 45.03% (2015: 57.00%) were denominated in RMB.

Any significant exchange rate fluctuations of USD against RMB may have a financial impact on the Company as RMB is the Company's functional currency.

The Directors considered the Company's foreign exchange risk to be insignificant, even how the Company did not use any financial instruments for hedging purposes during the year ended 31 December 2016.

SIGNIFICANT INVESTMENTS HELD

The Company did not hold any significant investments during the year ended 31 December 2016.

FINANCIAL RESOURCES AND LIQUIDITY

The shareholders' equity amounted to approximately RMB96.90 million as at 31 December 2016 (2015: approximately RMB111.09 million). Current assets amounted to approximately RMB123.92 million as at 31 December 2016 (2015: approximately RMB128.90 million), of which approximately RMB52.14 million (2015: approximately RMB41.10 million) was cash and cash equivalents.

For the year ended 31 December 2016, cash and cash equivalents amounted to RMB52.08 million (2015: RMB41.10 million) and RMB0.06 million (2015: RMB0 million) were held in RMB and US dollar respectively.

INTEREST-BEARING BORROWINGS

As at 31 December 2016 the Company had no interest bearing borrowings.

CONTINGENT LIABILITIES

As at 31 December 2016, the Directors were not aware of any material contingent liabilities.

CHARGES ON ASSETS

As at 31 December 2016, no assets of the Company were charged or pledged.

GEARING RATIO

The Company's gearing ratio, based on total liabilities to shareholders' equity, amounted to approximately 0.32 (2015: approximately 0.26) as at 31 December 2016.

Management Discussion and Analysis

CAPITAL STRUCTURE

The Company issued 23,000,000 new H shares with a nominal value at RMB1.00 each at a price of HK\$1.33 per H share upon the listing of the Company's H shares on GEM of the Stock Exchange on 18 February 2004. Since the listing of the Company's H shares on the GEM of the Stock Exchange, there has been no change in the capital structure of the Company.

As at 31 December 2016, the Company's operations were financed mainly by shareholders' equity, internal resources and interest-bearing borrowings. The Company will continue to adopt its treasury policy of placing the Company's cash and cash equivalents in interest bearing deposits.

EMPLOYEE INFORMATION

During the year ended 31 December 2016, the Company had 260 employees (2015: 267). They were remunerated in accordance with their performance and the market condition. Other benefits available to eligible employees include retirement benefits. The Company does not have a share option scheme. The remuneration of the Directors are determined with reference to the Company's performance and profitability as well as the remuneration level within the industry and prevailing market conditions. The total remuneration of the Company's employees was approximately RMB11.35 million for the year ended 31 December 2016 (2015: RMB11.37 million), including Directors' remuneration. Staff salary and production line workers salary were mainly based on piece rate. The Company's back office staff salary was mainly based on yearly remuneration.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Company did not have any significant acquisitions, disposals and investment during the reporting period.

OUTLOOK AND PROSPECT

The Company plans to expand its production capacity for all three product categories by increasing investments in equipment and other properties, plants and equipments.

The management will continue to expand the Company's domestic and overseas sales networks. For the PRC market, the Company intends to increase its market share by expanding its sales and marketing team as well as establishing sales networks in certain regions of the PRC. For the overseas market, the Company intends to further expand its own export networks by boosting its direct export sales. The Company will strengthen its brand name promotion by means of advertisement, promotional campaigns and participating in automobile exhibitions to enhance the publicity of the Company.

Profiles of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Fei Guo Yang (費國揚先生), aged 46, is the chairman of the Company (the “Chairman”) and an executive Director. He is responsible for the production and sales of the Company. From June 1991 to November 1994, he was the workshop head of Shaoxing Zhanwang Knitting Factory* (紹興縣展望針織廠); from December 1994 to December 2002, he was the head of general office of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司); and from January 2000 to February 2002, he became the deputy general manager of Shaoxing Prospect Universal Joint Company Limited* (紹興展望萬向節有限公司), the predecessor of the Company. From March 2002 onwards, he has been the general manager of the Company. He completed his vocational education in finance and accounting at Shaoxing Broadcasting and Television Vocational School (紹興市廣播電視中等專業學校) in 1997. He has been attending courses of economics and management at Huazhong University of Science & Technology (華中科技大學). He has over 10 years of working experience in production and sales. He joined Shaoxing Prospect Universal Joint Company Limited* (紹興展望萬向節有限公司), the predecessor of the Company, at the time of its establishment in 1995 as a supervisor and was appointed as a Director in 2000. He was appointed as the Chairman in February 2015.

Mr. Hong Guo Ding (洪國定先生), aged 53, is the Managing Director, executive Director and compliance officer of the Company. He is responsible for the administration and finance of the Company. From February 1991 to December 1992, he was the deputy head of Shaoxing Zhanwang Knitting Factory* (紹興縣展望針織廠); from January 1993 to January 1995, he was the deputy general manager of Shaoxing Prospect Industrial Company Limited* (紹興縣展望實業有限公司) and factory head of Shaoxing Huqiao Garment Factory* (紹興縣滬橋製衣廠); and from February 1995 to August 1999, he was the deputy general manager of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司). From September 2000 onwards, he has been the general manager of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司). He completed his tertiary education in administration and management at Hangzhou University (杭州大學) in 1996. He was accredited as “Economist” by the Personnel Bureau of Shaoxing County (紹興縣人事局) in July 1998. He has over 20 years of experience in corporate administrative management. He joined Shaoxing Prospect Universal Joint Company Limited* (紹興展望萬向節有限公司), the predecessor of the Company, at the time of its establishment in 1995 as a supervisor and was appointed as a Director in 2000.

Mr. Hong Chun Qiang (洪春強先生), aged 40, is an executive Director. He is responsible for the administration and management of the Company. From July 1996 to December 1997, he worked at the finance department of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司); from January 1999 to March 2000, he was secretary to chairman of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司); and from April 2000 to February 2003, he was the deputy head of the general office of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司). From March 2003 onwards, he has been a department manager of the Company. He completed his tertiary education in economics and management at Shaoxing School of Arts and Science (紹興文理學院). He was appointed as a supervisor of the Company in February 2000, and was appointed as an executive Director in May 2004.

* For identification purpose only

Profiles of Directors, Supervisors and Senior Management

Non-executive Directors

Mr. Tang Cheng Fang (唐成芳先生), aged 52, is a non-executive Director. From January 1991 to June 1992, he was in charge of the accounting division of Shaoxing Zhanwang Knitting Factory* (紹興縣展望針織廠); from July 1992 to July 1995, he served as the chief accountant of Shaoxing Prospect Industrial Company Limited* (紹興縣展望實業有限公司); and from August 1995 to April 2001, he served as the finance manager of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司). From May 2001 to May 2008, he was the general manager of Zhejiang Prospect New Synthetic Fibre Company Limited* (浙江展望新合纖有限公司). He completed his tertiary education in economics and management at Zhejiang University of Technology (浙江工業大學) in 1998. He was qualified as an assistant accountant in March 1999 and has over 11 years of experience in corporate finance and accounting. He joined Shaoxing Prospect Universal Joint Company Limited* (紹興展望萬向節有限公司), the predecessor of the Company, at the time of its establishment in 1995 as a supervisor and was appointed as a Director in 2000.

Mr. Li Zhang Rui (李張瑞先生), aged 51, is a non-executive Director. From July 1987 to April 1993, he worked for Hangzhou Vacuum Tube Factory* (杭州電子管廠); from April 1993 to October 1994, he was the manager of the development department of Zhejiang Rongsheng Textile Company Limited* (浙江榮盛紡織有限公司); from October 1994 to May 2000, he worked for Zhejiang International Economic and Technical Cooperation Corporation* (浙江國際經濟技術合作公司); and from July 2000 to June 2002, he served as the deputy general manager of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司). From August 2002 to December 2008, he has been the general manager of Zhejiang Zhanwang Printing and Dyeing Company Limited* (浙江展望印染有限公司). He obtained a bachelor's degree in electrical engineering from Xi'an Jiaotong University (西安交通大學) in 1987. He joined the Company as a non-executive Director in August 2002.

Ms. Tang Jing Jing (唐曠晶女士), aged 28, is a non-executive Director. Ms. Tang obtained a bachelor degree in accounting and finance in 2010 from University of Manchester in the United Kingdom. Ms. Tang has been the deputy manager in Zhejiang Tang Rui Shi Ye Fa Zhan Company Limited* (浙江唐瑞實業發展有限公司) since April 2012. Ms. Tang joined the Company as a non-executive Director in February 2015. Ms. Tang is the daughter of Mr. Tang Li Ming, the controlling shareholder of the Company.

Independent non-executive Directors

Mr. Wang He Rong (王和榮先生), aged 56, a senior accountant, is an independent non-executive Director. From April 1994 to January 2000, he worked for Shaoxing Hongtai Certified Public Accountants* (紹興宏泰會計師事務所). From February 2000 onwards, he has been the chief accountant of Shaoxing Hongtai Certified Public Accountants* (紹興宏泰會計師事務所). He completed his tertiary education in economics and management at Zhejiang China's Communist Party School Distance Learning College* (中共浙江省委黨校函授學院). He has been appointed as an independent non-executive Director since January 2004.

Mr. Lu Guo Qing (陸國慶先生), aged 52, is an independent non-executive Director. In 1986, he graduated from the Hangzhou University (杭州大學) with a bachelor's degree in law. He is PRC qualified attorney to practise securities law in the PRC. From 1988 to 1998, he practised law at Zhejiang Guoda Law Firm* (浙江國大律師事務所) (formerly known as Zhejiang Shaoxing County Law Firm* (浙江紹興市律師事務所)) as its deputy head and later its head. He is currently a partner of Zhejiang Zhong Fa Da Law Firm* (浙江中法大律師事務所). He has been appointed as an independent non-executive Director since January 2004.

* For identification purpose only

Profiles of Directors, Supervisors and Senior Management

Mr. Ma Hong Ming (馬洪明先生), aged 54, is an independent non-executive Director. He is the principal of Shaoxing Zhong Xing Accounting Firm* (紹興中興會計師事務所). He obtained his master degree in management from Shanghai Financial and Economic Studies University* (上海財經大學). From December 1981 to March 1992, he worked for Shaoxing Xing Hong Chemical Fibre Company Limited* (紹興興虹化纖公司) as finance manager; from March 1992 to December 1999, he was the assistant principal of Shaoxing County Audit Firm* (紹興縣審計事務所); and from January 2000 onwards, he served as the principal of Shaoxing Zhong Xing Accounting Firm* (紹興中興會計師事務所). He is the general manager of Shaoxing Zhong Xing Assets Valuation Company* (紹興中興資產評估公司) and Shaoxing Zhong Xing Tax Consultants* (紹興中興稅務師事務所). He was an independent director of Zhejiang Jing Gong Technology Company Limited* (浙江精工科技股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange. He has been appointed as an independent non-executive Director since March 2004.

SUPERVISORS

Mr. Hong Jin Shui (洪金水先生), aged 53, is the accountant of the Company since 1996. From October 1986 to October 1989, he worked for the sales department of Shanghai Qian Jiang branch of Shaoxing County Qian Qing Supplier* (紹興縣錢清供銷社上海錢江經營部) as cashier; from November 1989 to 1990, he was the salesman of the Yangxunqiao branch of Shaoxing County Qian Qing Supplier* (紹興縣錢清供銷社楊汛橋分社); from 1991 to 1994, he was the salesman of the retail department of Qian Qing Association* (錢清聯購分銷服務部); from 1995 to 1996, he served as the cashier of Shaoxing Prospect Universal Joint Company Limited* (紹興展望萬向節有限公司), the predecessor of the Company. He has been appointed as a supervisor of the Company (the "Supervisor") in May 2004.

Mr. Feng Yun Lin (馮雲林先生), aged 59, is a Supervisor. From April 1991 to May 1995, he was the deputy general manager of Shaoxing Zhanwang Wool Sweater Factory* (紹興展望羊毛衫廠); and from July 1996 to August 2000, he was the deputy general manager of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司). From September 2000 onwards, he has been the head of the Village Committee of Zhanwang Village, Yangxunqiao Town, Shaoxing County* (紹興縣楊汛橋鎮展望村村民委員會). He has been appointed as a Supervisor since August 2002.

Mr. Chen Jin Long (陳金龍先生), aged 43, is a Supervisor. He joined the Company in January 1998 as head of precision workshop. From July 1992 to April 1995, he worked for Shaoxing Dongjiangqiao Agricultural Machinery Factory* (紹興東江橋農機廠); and from June 1995 to December 1997, he worked for Shaoxing Keqiao Hardware Factory* (紹興柯橋五金廠) as a production line supervisor. He was appointed as a Supervisor since February 2000.

* For identification purpose only

Profiles of Directors, Supervisors and Senior Management

INDEPENDENT SUPERVISORS

Mr. Wang Zhong (王眾先生), aged 49, is an independent Supervisor. He is responsible for supervising the Board, managers and other senior officers of the Company and reporting directly to the shareholders in general meeting of the Company. He is a practising attorney in the PRC. He is currently a deputy head (operations) of the Shanghai Branch of Beijing Jingdu Law Firm* (北京市京都律師事務所). Mr. Wang Zhong is a member of the law society in the PRC. In 2002, he attended training sessions for independent directors of listed companies held by China Securities Regulatory Commission and Fudan University. He has been appointed as an independent Supervisor since March 2003.

Mr. Wang Ye Gang (王葉剛先生), aged 48, is an independent Supervisor. He is responsible for supervising the Board, managers and other senior officers of the Company and reporting directly to shareholders in general meeting of the Company. He obtained a master degree in business administration from Zhejiang University (浙江大學). He is currently a general manager of Zhejiang Botong Venture Capital Company Limited* (浙江博通創業投資有限公司). He has been appointed as an independent Supervisor since March 2003.

SENIOR MANAGEMENT

Mr. Fu Yong Jun (傅永君先生), aged 45, is the manager of the technology and quality department of the Company. He graduated from Xiaoshan Yisheng High School* (蕭山市義盛中學) in 1989. He has approximately 10 years of experience in the production technology of universal joints. During the period from 1993 to 1996, he was the chief quality control officer of Wanxiang Qianchao Co. Ltd.* (萬向錢潮股份有限公司). He joined the Company in May 1996.

COMPANY SECRETARY

Ms. Kwok Pui Ching (郭佩貞女士), aged 51, is a qualified accountant with over 7 years of experience in accounting, auditing and financial management. She graduated with a degree of Bachelor of Social Sciences from The University of Hong Kong in 1986 and is an associate member of the Hong Kong Institute of Certified Public Accountants. She had worked for Ernst and Young. During the period from 1996 to 1998, she worked for a foreign-invested enterprise responsible for financial management. From September 1998 to August 2000, she was employed by PCCW Limited as finance manager. Subsequently, she worked for an investment consultancy company. She joined the Company in June 2003 and resigned as the company secretary of the Company with effect from 8 March 2017.

The Company engaged an external professional company secretarial services provider, Link Corporate Services Limited (“Link”), to provide compliance and full range of company secretarial services to the Company in order to assist the Company to cope with the changing regulatory environment and to suit different commercial needs. **Mr. Fung Siu Kei** (馮兆基先生), the representative of Link, was appointed as the named company secretary of the Company (“Company Secretary”) with effect from 8 March 2017.

* For identification purpose only

Environmental, Social and Governance Report

Zhejiang Prospect Company Limited* (the “Company”) is engaged in the manufacture and sales of universal joints and auto parts, including cardan universal joint, transmission shaft and wing bearing universal joint. The environmental, social and governance report (the “ESG Report”) has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”), Appendix 20 of GEM Listing Rules of the Stock Exchange of Hong Kong Limited to present the policies, measurements and performances of the Company in environmental, social and governance (the “ESG”) to the stakeholders.

The ESG Report mainly covers the Company’s main business in the manufacture and sales of universal joints and auto parts, which contributes in the main operating income of the Company, from 1 January 2016 to 31 December 2016 (the “Reporting Period” and “Fiscal Year 2016”). The management and staff from every functional department have participated in the preparation of the ESG Report to assist the Company to review its operation and identify relating ESG matters, of which the importance to the business and the stakeholders has been evaluated as well. The abstract of significant ESG matters included in the ESG Report is presented as follow:

Abstract of the ESG Reporting Guide

Significant ESG matters

A. Environmental

- A1. Emissions
- A2. Use of Resources
- A3. The Environment and Natural Resources

Waste, wastewater treatment and carbon emissions

Use of energy, water and packaging materials

Environment impact management

B. Social

- B1. Employment
- B2. Health and Safety
- B3. Development and Training
- B4. Labour Standards
- B5. Supply Chain Management
- B6. Product Responsibility
- B7. Anti-corruption
- B8. Community Investment

Compensation and equal opportunity policy

Safety production

Training plan for the staff

Preventing child and forced labour

Sustainable development of the supply chain

Quality certification, innovation and development, and customer service

Prevention of corruption and fraud

Public welfare

* For identification purpose only

Environmental, Social and Governance Report

A. ENVIRONMENTAL

A1 Emissions

The Company is committed to creating an environmental protection enterprise by actively minimizing the harmless waste generated and wastewater discharged in production process. We prevent any unnecessary pollution and regularly evaluate the source of emissions, for which the reduction solution had been researched. Meanwhile, we attempt to develop more recycling opportunities for waste and wastewater and improve the equipments and procedures in the disposal of emissions to ensure its effectiveness.

In addition, we also introduce sufficient resources to our staff to promote the Company's environmental policy and enhance their awareness of waste reduction. We set up an Environmental Task Force to formulate and implement our environmental strategy and coordinate the environmental protection works of our business units.

In the Reporting Period, the Company had not found any violation of the environmental laws and regulations.

Waste disposal

Actively minimizing waste generated in the production process and implementing strict waste management system, the Company complies with relating laws and regulations. The quantity of harmless solid waste and its recycling in the Reporting Period is as follow:

Category of the harmless waste	Unit*	Generated	Recycled
Iron powder	ton	50	50
Waste paperboard	ton	1.5	1.5

Wastewater disposal

We implement relating recycling works by investing in the construction of sewage collection and treatment facilities and the completing the water recycling facilities in production to save water resources; and general domestic sewage is discharged through pipes, and industrial wastewater and waste are collected and delivered to qualified entity to intensively dispose. We will continue to research and analyze the reduction solution for the source of emissions and prepare monthly report to evaluate the discharge of wastewater. In the Reporting Period, the wastewater disposed by the Company has added up to 20 cubic meters, which has met the level I national emission standards.

Carbon emissions

Our carbon emissions are mainly resulted from energy consumption of electricity and gasoline. We continuously focus on the impact to the environment from business operations by implementing various energy conservation measures to reduce the corresponding carbon emissions. Details can be referred to the following sector of "Use of Resources".

In the Reporting Period, the approximate carbon dioxide equivalent of our business operations relating to energy is 4,043 tons.

Environmental, Social and Governance Report

A2 Use of Resources

The Company initiates green office and production environment under the following four principles: reducing, reusing, recycling and replacing, with the target of actively promoting environmental protection and effective use of resources. The company is committed to formulate effective energy conservation management measures to strengthen the internal energy management in plant, including the development of energy conservation targets and material consumption indicators, carrying out clean production, the establishment of energy conservation management mechanism and implementing the details and improvements of energy conservation.

Energy consumption

The total energy consumption in the Reporting Period is as follow:

Category of energy	Unit*	Consumption	Carbon dioxide equivalent
Gasoline	Litres	13,976	about 38 tons
Industrial electricity	KWH	6,737,297	about 4,005 tons

Note: The calculation of carbon emissions is based on the Greenhouse Gases Protocol published by WBCSD and WRI, Environmental Key Performance Index Reporting Guide issued by the HKEx, and the China Regional Grid Baseline Emission Factor published by the Climate Change Office of National Development and Reform Commission of China.

In the Reporting Period, the Company has increased investment in energy conservation and emission reduction equipments. Related improvements include equipment upgrading (elimination of high energy consumption motor), the procurement of energy conservation equipments and the use of green energy and LED lamps, etc.

Water consumption

The total water consumption of the Company in Fiscal Year 2016 is 6,516 cubic meters, mainly for production and staff living. We change the washing method used in production line to increase the recycling rate of water. The processing in the lathe and grinder uses small water tank for water cycling and the heat treatment uses pool to cool circularly. We also monitor the water consumption in the plant, offices and staff dormitory every month to analyze and evaluate the consumption and actively seek improvement solution.

Environmental, Social and Governance Report

Use of packaging materials

In Fiscal Year 2016, the packaging materials used mainly for carton and plastic packaging of finished products are as follow:

Packaging material	Unit*	Quantity
Carton	ton	66
Plastic	ton	6

A3 The Environment and Natural Resources

Environment impact management

The Company is convinced that environmental protection can reduce operational risks and increase business opportunities. Based on the Company's operations and policies, we will continue to implement the environmental protection, social responsibility and governance. Before starting any construction, an environmental influence evaluation report is prepared and a third party contractor is commissioned to monitor the environment monthly. The Company will also continuously improve the production process and equipments to avoid the abuse and waste of natural resources. Furthermore, an emergency response system has also been set up for environmental accidents and the relating Task Force is in charge of immediately response and the minimization of environmental damage.

While meeting the existing national and provincial environmental regulations and standards, we also take the initiative to publish environmental protection proposals to our staff, suppliers and partners to work together to improve the quality of the environment.

B. SOCIAL

B1 Employment

Compensation and equal opportunity policy

Human resources are essential to the long-term business success and development of the Company. The compensation of our staff has met the market level and on-job training and development have been offered to them, which the Company can ensure.

In order to attract and retain talents to ensure the smooth business operation and the development needs of the Company, market level and individual qualification and experiences have been considered to provide the staff with competitive compensation.

Based on the principle of integrity, innovation, positive and teamwork, our recruitment policies require all applicants to be evaluated by an objective entry test to ensure that his/her ability has met the requirements of the Company's development. We also guarantee the fairness in the entire recruitment process by strict reviewing and approval procedures.

The working hour and rest period of the Company strictly comply with national and local laws and regulations, thus the staff are entitled to their due holidays after hard work to maintain health both physically and mentally.

Environmental, Social and Governance Report

Meanwhile, the Company is committed to provide a non-discriminatory working environment. Any discrimination in the working environment, including recruitment, compensation, promotion and other processes, is prohibited. We have also set up a reporting mechanism for any unequal treatment, and the Task Force will be responsible for investigating and disciplining.

In the Reporting Period, the Company had not found any significant violation of the HR laws and regulations.

As at 31 December 2016, the distribution of staff is as follows:

By gender		By employment category	
Male	177	Full-time (permanent contract)	257
Female	83	Others (part-time, fixed-term or temporary)	3
By age			
18-30	23		
31-40	54		
41-50	108		
51-60	45		
Over 61	30		

B2 Health and Safety

Safety production

The Company is committed to continuously optimize the technical process and improve the staff' working environment, and take all appropriate measures to protect the health and safety of staff. We have formulated corresponding safety codes for all production staff by detailing the safety precautions for different production processes, and arranged training to all the new recruits.

In order to enhance the safety awareness and fire escape capability of new recruits, the Company regularly arranges drills such as first aid, fire fighting, evacuation, leakage and escape. Besides the established and completed shift system to ensure the sufficient rest time of the staff, the Company also attaches importance to the mutual communication with them, and has established the appropriate accident reporting and investigation system to encourage the staff to report all kinds of accidents and other insecurity factors. Furthermore, we have set up a safety supervision department to regularly monitor the potential safety hazards of production and warehouses and dispose and follow up the reported incidents from the staff.

In the Reporting Period, the Company had not found any violation of the health and safety laws and regulations.

Environmental, Social and Governance Report

B3 Development and Training

Training plan for the staff

The Company attaches great importance to the development prospects of the staff. Through the well-designed internal training programs and the continuous exploration of potential talent, the Company expects to enhance the staff' working knowledge and develop the various skills of them, so they can grow together with the Company's overall strategy by self-playing and self-value-added.

The Company has the complete training system and courses to support on-job education and training to enhance the staff' knowledge and skills. The training courses of the Company mainly include induction training, on-job training and outsourcing training. The induction training includes HR rules and regulations, professional quality, corporate management system, industrial safety and working environment and quality basis etc.; on-job training includes job qualification (theory and practice) and relating content of the annual training plan; and outsourcing training includes the induction training for special position.

B4 Labour Standards

Preventing child and forced labor

We are committed to develop the mutual respect with our staff. The Company strictly comply with the requirements of labour law to recruit staff over 18 years old with a valid identity card issued by the public security department. The Company recruits workers under the principle of fair, open and consensual. The legal labour contracts have been signed so the Company has no forced labour. We have a rigorous and comprehensive recruitment review process. HR Department ensures that the personal information provided by the candidates is accurate and the applicant is supposed to submit identity documents in the interview to verify his actual age and background.

The Company also strictly comply with the working time standard, never force any worker to work overtime or do so in a disguised form. Besides the special situation regulated by the law, the working hours are extended not more than one hour per day for production needs and after the negotiation with the trade union and staff. The extension of working time due to particular reason should not exceed 3 hours per day and 36 hours per month, and be subject to the protection of the staff' health. In addition, the Company regularly reviews the business operations for child and forced labour.

In the Reporting Period, the Company had not found any violation of the child and forced labor laws and regulations.

Environmental, Social and Governance Report

B5 Supply Chain Management

Sustainable development of the supply chain

The Directors are convinced that customers and suppliers are the key to sustainable development of the Company. The Company is committed to establish a close and caring relationship with its suppliers and customers and continuously communicate with them to get feedback and suggestions through a variety of channels.

We evaluate and select qualified supplier according to its production scale, supply capacity, price advantage, quality assurance and subsequent service. Premising the quality assurance, we will give priority to the enterprises using environmentally friendly materials and employing disabled workers. In addition, the Company organizes the annual internal audit for the operation of product safety system and quality management system, and annual review of suppliers on their pass rate by field investigation and other methods.

B6 Product Responsibility

Quality certification

As a manufacturer of universal joints and auto parts, the Company has more than 20 years history of research and development and production, holding the TSI6949 Quality System Certification.

Innovation and development

Focusing on the auto parts and universal joint industry, the Company steadily develop the construction of industrial chain and actively research the new application areas of automotive transmission system components.

Customer service

In order to provide the customers with satisfying services, the Company has formulated the complete customer complaint disposal process and return process. All complaints will be investigated by independent departments, and sufficient and objective evidences will be collected to support the conclusion. We will never disregard the customers' comments and requirements.

In order to make every effort to avoid unsafe and unqualified products, the Quality Inspection Department of the Company has been set up to inspect raw materials and finished products, formulate particular inspection procedures for various raw materials and finished products, and ensure that our raw materials and finished products meet certain quality standards and all unqualified products are prohibited from delivering. The quality standards are regularly updated and implanted to the inspectors to ensure the effectiveness of quality inspection. The complete sales return policy has also been formulated for the timely quality inspection and follow-up to those returned products.

In the Reporting Period, the Company had not found any violation of the laws and regulations for quality of product and service.

Environmental, Social and Governance Report

B7 Anti-corruption

Prevention of corruption and fraud

The management of the Company initiates the corporate culture of honesty and integrity and creates an anti-corrupt corporate culture environment by evaluating fraud risk and setting up specific control procedures and mechanisms to reduce the chances of fraud. Being supervised by the Board and the Audit committee, our Internal Audit Department is responsible for receiving the fraud report and subsequent investigating, reporting and proposing treatment suggestion. In the event of fraud, the Company will take timely remedial measures to assess the relevant internal control of the affected departments and instruct the relevant departments to improve immediately. In accordance with the relevant regulations, the Company would dispose the staff who had been proved to be fraudulent by warning, public criticism, demotion or dismissal, and require the compensation liabilities due to them. Those who are involving the violation of criminal law will be transferred to the relevant authorities accordingly. In addition, in order to enhance the staff' sense of integrity, all new recruits are required to participate in the training of ethical codes of conduct, and existing staff are regularly trained by relating cases.

In the Reporting Period, the Company had not found any violation of the laws and regulations for bribery and corruption

B8 Community Investment

Public welfare

Participating in the public welfare actively, the Company has been insisting on contributing to the community during its development. The Management Measures for Public Welfare Activities and Charities has been formulated to define the principle of commonweal, the scope, the type and the beneficiaries of public welfare activities and charities, and regulate relating processes, including the donation reasons, object, approach, method, responsible person, property composition and its amount and the transfer of property, etc.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance. The principles of good corporate governance emphasize transparency and accountability to shareholders, an effective Board for leadership and control of the Company, and high standards of business ethics and integrity in all activities.

For the year ended 31 December 2016, the Company has adopted and complied with the code provisions (the “Code Provision(s)”) set out in the Corporate Governance Code (the “Code”) in Appendix 15 to the GEM Listing Rules, except for the deviation from Code Provisions A.1.8 and A.6.7 as described below.

Under Code Provision A.1.8, an issuer should arrange appropriate insurance cover in respect of legal action against its directors. The Company does not have such insurance cover for its Directors. This is a deviation from Code Provision A.1.8.

With regular and timely communications among the Directors and the management of the Company, the management of the Company believes that all potential claims and legal actions against the Directors can be handled effectively, and the possibility of an actual litigation against the Directors is low. The Company understands the importance to arrange insurance cover for its Directors and will consider making such an arrangement as and when it considers necessary.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Li Zhang Rui (non-executive Director) did not attend the two general meetings held in the year ended 31 December 2016 because he was out for town for other businesses.

Mr. Hong Chun Qiang (executive Director) only attended one out of the two general meetings held in the year ended 31 December 2016 because he was out for town for other businesses.

BOARD OF DIRECTORS

The Board currently comprises nine persons, consisting of three executive Directors, namely Mr. Fei Guo Yang (the Chairman), Mr. Hong Guo Ding (the Managing Director) and Mr. Hong Chun Qiang; three non-executive Directors, namely Mr. Tang Cheng Fang, Mr. Li Zhang Rui and Ms. Tang Jing Jing, and three independent non-executive Directors, namely Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming. Non-executive Directors possess appropriate academic and professional qualifications or related financial management expertise and have brought a wide range of business and financial expertise to the Board.

Corporate Governance

The composition of the Board and details of attendance of Board meetings, meetings of other committees and general meetings held throughout the financial year ended on 31 December 2016 are as follows:

	Attendance/number of meetings				General Meeting
	Board	Audit Committee	Nomination Committee	Remuneration Committee	
Executive Directors					
Mr. Fei Guo Yang (<i>Chairman</i>)	6/6	–	–	–	2/2
Mr. Hong Guo Ding (<i>Managing Director</i>)	6/6	–	–	–	2/2
Mr. Hong Chun Qiang	6/6	–	–	–	1/2
Non-executive Directors					
Mr. Tang Cheng Fang (<i>Note 1</i>)	5/6	–	–	–	1/2
Mr. Li Zhang Rui (<i>Note 2</i>)	0/6	–	–	–	0/2
Ms. Tang Jing Jing (<i>Note 3</i>)	4/6	–	–	–	2/2
Independent non-executive Directors					
Mr. Wang He Rong (<i>Note 4</i>)	6/6	4/4	1/1	1/1	2/2
Mr. Lu Guo Qing (<i>Note 5</i>)	6/6	4/4	1/1	1/1	2/2
Mr. Ma Hong Ming (<i>Note 6</i>)	6/6	4/4	1/1	1/1	2/2

Notes:

- (1) Mr. Tang Cheng Fang has been re-elected as a non-executive Director at the annual general meeting of the Company held on 20 May 2014 for a term of three years from May 2014 to May 2017.
- (2) Mr. Li Zhang Rui has been re-elected as a non-executive Director at the annual general meeting of the Company held on 20 May 2014 for a term of three years from May 2014 to May 2017.
- (3) Ms. Tang Jing Jing has been re-elected as a non-executive Director at the annual general meeting of the Company held on 19 May 2016 for a term of three years from 2 February 2015 to 1 February 2018.
- (4) Mr. Wang He Rong has been re-elected as an independent non-executive Director at the annual general meeting of the Company held on 20 May 2014 for a term of three years from May 2014 to May 2017.
- (5) Mr. Lu Guo Qing has been re-elected as an independent non-executive Director at the annual general meeting of the Company held on 20 May 2014 for a term of three years from May 2014 to May 2017.
- (6) Mr. Ma Hong Ming has been re-elected as an independent non-executive Director at the annual general meeting of the Company held on 19 May 2016 for a term of three years from May 2016 to May 2019.

Board meetings are held at least four times a year. It is also held as and when necessary to discuss significant transactions, including material acquisitions and disposals and connected transactions, if any. All Directors are given an opportunity to include matters in the agenda for Board meetings. There were six meetings of the Board held during the year ended 31 December 2016 and the average attendance rate was approximately 83%.

Corporate Governance

All the Directors have access to timely information in relation to the Company's business and are free to make further enquiries where necessary. It has been agreed by the Board that the Directors may seek independent professional advice at the Company's expense. The Directors are responsible for ensuring continuity of leadership, development of sound business strategies, availability of adequate capital and managerial resources to implement the business strategies adopted, adequacy of financial systems, risk management and internal controls and conduct business in conformity with applicable laws and regulations.

Every newly appointed Director will meet with other fellow Directors and members of senior management, and will receive a comprehensive and tailored introduction on the first occasion of his appointment, so as to ensure that he has a proper understanding of the operations and business of the Company, and that he is fully aware of his responsibilities under statutes and common law, the GEM Listing Rules and other regulatory requirements. According to the articles of association of the Company ("Articles of Association"), the Company appoints its Directors for a maximum term of three years and the Directors are subject to re-election by shareholders at general meetings every three years. New appointment of Directors shall be approved by shareholders at general meetings.

All existing Directors (including executive, non-executive and independent non-executive Directors) are appointed for a term of three years, and are subject to re-election by shareholders at the general meeting by the end of the three-year period.

In accordance with articles 119 and 120 of the Company's Articles of Association, Supervisors representing the shareholders shall be elected at the general meeting and the Supervisor representing the staff members of the Company shall be elected by the staff members of the Company. The term for Supervisors are three years and a Supervisor may serve consecutive terms if re-elected upon the expiration of the term.

To the best knowledge of the Company, save and except that certain members of the Board may have common investments and working relationship in certain companies and business, there is no financial, business and family or other material/relevant relationship among members of the Board and in particular, between Mr. Tang Li Min, the former Chairman and executive Director (resigned as the Chairman and executive Directors on 2 February 2015) and Mr. Hong Guo Ding, the Managing Director, and Mr. Fei Guo Yang, the current Chairman (appointed as the Chairman on 2 February 2015) and Mr. Hong Guo Ding, the Managing Director. All of them are free to exercise their independent judgments.

Although each of Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming has been serving as an independent non-executive Director for more than nine years, the Board considers that each of Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming is a person of integrity and independent in judgement and character. Each of Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming is independent of management and free from any business or other relationships or circumstances which could materially interfere with the exercise of his independent judgement. The Board considers that each of Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming meets the independent guidelines set out in Rule 5.09 of the GEM Listing Rules, and is of the view that each of their independence is not affected by their long service with the Company.

The Company had received from each of its independent non-executive Directors an annual confirmation of independence and the Board considered the independent non-executive Directors to be independent under Rule 5.09 of the GEM Listing Rules.

Corporate Governance

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AND GOING CONCERN

The Directors acknowledge their responsibility for preparing the Company's financial statements. The Company incurred a net losses attributable to the owners of the Company of RMB14.20 million (2015: net profit RMB45.91 million) during the year ended 31 December 2016. Notwithstanding the above, the financial statements have been prepared on a going concern basis. In preparing the financial statements, the Directors have given careful consideration to the impact of the current and anticipated future liquidity of the Company and the ability of the Company to attain profitable and positive cash flow operations in the immediate and longer term.

Based on the cash flow projections of the Company and having taken into account the available financial resources of the Company, the Directors have concluded that the Company is able to continue as a going concern and to meet their financial obligations as and when they fall due in the foreseeable future, having regards to the Company had cash and cash equivalents of RMB52.14 million and net current assets of RMB92.55 million as at 31 December 2016.

There are no other material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Board is also responsible for presenting a balanced, clear and understandable assessment of annual, interim and quarterly reports, inside information announcements and other disclosures required under the GEM Listing Rules and other statutory requirements.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Code Provision A.6.5 provided that all Directors should participate in continuous professional development to develop and refresh their skills and knowledge.

For the year ended 31 December 2016, Mr. Fei Guo Yang, Mr. Hong Guo Ding, Mr. Hong Chun Qiang, Mr. Tang Cheng Fang, Mr. Li Zhang Rui, Ms. Tang Jing Jing, Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming had participated in-house continuous professional development on the GEM Listing Rules in the form of seminars and relevant training materials had been distributed to all the Directors to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

The Directors have provided a record of the training they received to the Company for the year ended 31 December 2016.

Corporate Governance

CHAIRMAN

The Chairman, Mr. Fei Guo Yang, was the leading person of the Board for the year ended 31 December 2016. He is responsible for ensuring that the Directors receive adequate information, which must be complete and reliable, in a timely manner and all Directors are properly briefed on the issues arising at the Board meetings. He also ensured that:

- the Board works effectively and discharges its responsibilities;
- all key and appropriate issues are discussed by the Board in a timely manner;
- good corporate governance practices and procedures are established; and
- appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the Board as a whole.

He encouraged all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Company.

MANAGING DIRECTOR (CHIEF EXECUTIVE)

The Managing Director, Mr. Hong Guo Ding, performs the role as the chief executive of the Company. The role of the Managing Director is separate from that of the Chairman and is exercised by different individuals.

The Managing Director is responsible for managing the business of the Company and implementing policies and strategies adopted by the Board. He is in charge of the Company's day-to-day management in accordance with the instructions issued by the Board. He is responsible for developing strategic operating plans that reflect the objectives and priorities established by the Board and maintaining the operational performance. He also ensures adequacy of financial systems, risk management and internal control and conduct of business in conformity with applicable laws and regulations.

AUDIT COMMITTEE

An audit committee of the Company (the "Audit Committee") was established by the Board in 2004 with its updated written terms of reference adopted on 22 December 2015. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming, with appropriate academic and professional qualifications or related financial management expertise. Mr. Ma Hong Ming is the chairman of the Audit Committee. Meetings are held at least twice a year and are attended by external auditors for the purpose of discussing the nature and scope of audit work and assessing the Company's internal controls. Separate meetings will also be held with the external auditor (in the absence of management) as and when required. The Audit Committee held four meetings in the year ended 31 December 2016 to review, inter alia, the Company's quarterly, half-yearly and annual financial statements and reviewed the risk management and internal control systems and to recommend to the Board the appointment of an external auditor. The average attendance rate was 100% during the year ended 31 December 2016.

The attendance of the members of the Audit Committee at the committee meetings is as follows:

Corporate Governance

	Attendance/ Committee Meetings held
Mr. Ma Hong Ming (<i>chairman of the Audit Committee</i>)	4/4
Mr. Wang He Rong	4/4
Mr. Lu Guo Qing	4/4

The duties of the Audit Committee include the following:

Relationship with the Company's auditor

- (a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard, and discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (c) to develop and implement policy on engaging an external auditor to supply non-audit services (for this purpose, the external auditor includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally), and report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of financial information of the Company

- (d) to monitor integrity of the Company's financial statements, annual report and accounts and half-year and quarterly reports; and to review significant financial reporting judgments contained in them, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;
 - (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting;

Corporate Governance

- (e) in regard to (d) above:
 - (i) members of the Audit Committee must liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditor; and
 - (ii) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor;

Oversight of the Company's financial reporting system and risk management and internal control procedures

- (f) to review the Company's financial controls, internal control and risk management systems;
- (g) to discuss with the management the risk management and internal control systems and ensure that management has performed its duty to have an effective risk management and internal control systems which should include adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function;
- (h) to consider major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (j) to review the Company's financial and accounting policies and practices;
- (k) to review the external auditor's management letter, any material queries raised by the auditor to management to accounting records, financial accounts or systems of control and management's response;
- (l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) to report to the Board on the matters set out in the Code Provisions;
- (n) to consider other topics, as defined by the Board;

Corporate Governance

Other duties

- (o) to review arrangements by which employees may, in confidence, raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters;
- (p) to act as the key representative body for overseeing the Company's relation with the external auditor; and
- (q) to report back to the Board on their decisions or recommendation.

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference; to seek any information it requires from any employee and all employees are directed to co-operate with any requests made by the Audit Committee; to obtain outside legal or other independent professional advice; and to secure the attendance of outsiders with relevant experience and expertise if necessary.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was re-named from the Nomination and Remuneration Committee (established in October 2005) on 30 March 2012 with written terms of reference with effect from 30 March 2012. Its members include all of the independent non-executive Directors, namely, Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming, with Mr. Ma Hong Ming as the chairman of the Nomination Committee. For the year ended 31 December 2016, the Nomination Committee resolved, assessed and reviewed the structure, size and composition including skills, knowledge and experience of the Board and succession planning.

The main duties of the Nomination Committee are to regularly review the structure of the Board and make recommendations to the Board regarding any proposed change to the structure of the Board, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of the independent non-executive Directors and review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy.

The Nomination Committee held one meetings in the year ended 31 December 2016. The attendance of the members of the Nomination Committee at the committee meetings is as follows:

	Attendance/ Committee Meetings held
Mr. Ma Hong Ming (<i>chairman of the Nomination Committee</i>)	1/1
Mr. Wang He Rong	1/1
Mr. Lu Guo Qing	1/1

Corporate Governance

Board Diversity Policy

The Board has adopted a board diversity policy and discussed all measurable objectives set for implementing the policy. The Company recognizes and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard to the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established by the Board on 30 March 2012 with written terms of reference with effect from 30 March 2012. Its members include all of the independent non-executive Directors, namely, Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming, with Mr. Ma Hong Ming as the chairman of the Remuneration Committee. For the year ended 31 December 2016, the Remuneration Committee resolved, assessed and reviewed the policy and structure for the remuneration of all the Directors and the Company's senior management, the establishment and the mechanism of the remuneration policies, the remuneration packages of all executive Directors and senior management including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, remuneration of non-executive Directors and the performance of Directors in their terms of office.

The main duties of the Remuneration Committee are to regularly make recommendations to the Board on the Company's policy and structure for the remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee should also 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 other fair and no excessive. The model of making recommendations to the Board on remuneration packages of individual executive Directors and members of senior management has been adopted.

The Remuneration Committee held one meetings in the year ended 31 December 2016. The attendance of the members of the Remuneration Committee at the committee meetings is as follows:

	Attendance/ Committee Meetings held
Mr. Ma Hong Ming (<i>chairman of the Remuneration Committee</i>)	1/1
Mr. Wang He Rong	1/1
Mr. Lu Guo Qing	1/1

Corporate Governance

The remuneration package of Directors and senior management is based on the skill, knowledge and involvement in the Company's affairs of each Director or senior management and is also determined with reference to the performance and profitability of the Company. Computation of discretionary bonus to Directors and senior management are determined in accordance with their individual performances and achievement of business targets. The Remuneration Committee will consult the Chairman and the Managing Director about their proposals relating to the remuneration of other executive Directors and have access to professional advice if considered necessary.

CORPORATE GOVERNANCE DUTIES

The Board is responsible for performing the corporate governance duties as set out in the Code Provision D.3.1. During the year ended 31 December 2016, the Board had reviewed and discussed the corporate governance policy of the Company and was satisfied with the effectiveness of the corporate governance policy of the Company.

COMPANY SECRETARY

During the year ended 31 December 2016, all Directors have access to the advice and services of the Company Secretary, Ms. Kwok Pui Ching, who is responsible to the Board for ensuring that procedures are followed. The Company Secretary is also a source of advice to the Chairman and to the Board in relation to the applicable Code. Draft and final versions of minutes of Board meetings and meetings of Board committees are sent to all Directors or committee members respectively for their comments and record. All minutes of Board meetings and meetings of Board committees are kept by her and are open for inspection by any Director. For the year ended 31 December 2016, Ms. Kwok Pui Ching, as the company secretary, has taken no less than 15 hours of relevant professional training.

SENIOR MANAGEMENT

Senior management is responsible for the day-to-day operations and administration function of the Company under the leadership of the Managing Director. The Board has given clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the Company. The types of decisions to be delegated by the Board to management include implementation of the strategy and direction determined by the Board, operation of the Company's businesses, preparation of financial statements and operating budgets, and compliance with applicable laws and regulations. Management has supplied the Board and its committees with adequate information and explanation so as to enable them to make an informed assessment of the financial and other information put before the Board and its committees for approval. The Board and each Director have separate and independent access to senior management. These arrangements will be reviewed periodically to ensure that they remain appropriate to the needs of the Company.

Senior management's remuneration payment of the Company in the year ended 31 December 2016 falls within the following band:

	Number of Individual
RMB500,000 or below	1

Corporate Governance

ACCOUNTABILITY AND INTERNAL AUDIT

The Company's accounts are prepared in accordance with the GEM Listing Rules, the Companies Ordinance and also the accounting principles and practices generally accepted in Hong Kong. Appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable. The Directors endeavour to ensure a balanced and understandable assessment of the Company's position and prospects in financial reporting.

The Company maintains a comprehensive and effective internal control system on income and capital and revenue expenditures. It also makes sure that the Company's assets are well protected and there is no misappropriation of assets; that authorization by appropriate level of management has been obtained and documented for every aspect of operations; that proper accounting records are maintained and financial information are reliable. Annual budgets are prepared and are subject to management's approval before being adopted. Results of operations against budgets are reported monthly to the executive Directors, so as to maintain an effective internal control system.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors are responsible for overseeing the preparation of the annual accounts which give a true and fair view of the Company's state of affairs of the results and cash flow for the year. In preparing the accounts for the year ended 31 December 2016, the Directors had:

- (a) approved the adoption of all HKFRSs which are generally adopted in Hong Kong;
- (b) selected suitable accounting policies and applied them consistently; and
- (c) made judgments and estimates that were prudent and reasonable; and ensured the accounts were prepared on the going concern basis.

The Company recognises that high quality corporate reporting is important in reinforcing the trustworthy relationship with the Company's stakeholders and aims at presenting a balanced, clear and comprehensible assessment of the Company's performance, position and prospects in all corporate communications. The annual, interim and quarterly results of the Company are announced in a timely manner in compliance with the GEM Listing Rules.

A statement by the auditors about their reporting responsibilities is included in the Independent Auditor's Report on pages 49 to 51.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management and internal control systems have been designed to allow the Directors to monitor the Company's overall financial position, safeguard its assets against loss and misappropriation, to provide reasonable assurance against fraud and errors, and to manage the risk in failing to achieve the Company's objectives.

There is a well defined specific limit of authority governing activities of the Directors and executives. Budgets are prepared and are subject to the Directors' approval before being adopted. The Directors monitor the business activities closely and review monthly financial results of operations against budgets. The Company from time to time updates and improves its risk management and internal control systems.

Corporate Governance

The Directors acknowledge that it is their responsibility to establish and maintain appropriate and effective risk management and internal control systems and to review their effectiveness on a regular basis. The Directors manage risks by strategic planning, appointment of appropriately qualified and experienced personnel at senior management position, monitor the Company's performance regularly and maintaining effective control over capital expenditure and investments.

The Directors conducted a review covering the effectiveness of all material control systems, including financial, operational and compliance controls and risk management functions of the Company for the financial year ended 31 December 2016; and were satisfied that an appropriate and effective risk management and internal control systems have been in operation. The Directors came to such conclusion based on their clearly set company policies and procedures, specific limits of authority, budgetary controls and regular monitoring of performance.

The Directors confirm that there had been no major changes in the nature and extent of significant risks faced by the Company during the year ended 31 December 2016, and the Company has the ability to respond to any such changes in its business and the external environment. Furthermore, there were no significant internal control problems encountered during the year ended 31 December 2016. The Directors closely monitor the Company's systems of risk management and internal control, and receive further assurance from the Audit Committee that the internal audit function has been functioning effectively. The Company had complied with the Code Provisions set out in the applicable Code in respect of maintaining appropriate and effective risk management and internal control systems.

AUDITOR'S REMUNERATION

Crowe Horwath (HK) CPA Limited had been appointed as the Company's external auditor by the shareholders at the 2015 annual general meeting held by the Company on 19 May 2016 until the conclusion of the forthcoming annual general meeting. They are primarily responsible for providing audit services in connection with the annual financial statements.

During the year ended 31 December 2016, the total remuneration in respect of audit services provided by the external auditor amounted to HK\$500,000. No fees were paid to the external auditor for non-audit services during the year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiry had been made to all Directors who had confirmed that they had complied with the required standard of dealings and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2016.

COMMUNICATION WITH SHAREHOLDERS

The Company recognizes the importance of shareholder feedback and the need for ongoing communication with its stakeholders, including the general public, investors, and the institutional and individual shareholders. The Company has disclosed the necessary information to the shareholders and investors in compliance with the GEM Listing Rules and published annual, interim and quarterly reports which contained detailed information about the Company. Inquiries by shareholders are directed and dealt with by senior management of the Company.

Corporate Governance

SHAREHOLDERS' RIGHTS

Convening An Extraordinary General Meeting

Pursuant to article 84 of the Articles of Association of the Company, shareholders of the Company who request to convene an extraordinary general meetings of the Company (the "EGM(s)") shall follow the procedures below:

- (1) Shareholder(s) who hold(s) in aggregate 10 per cent or more of the shares vested with voting rights in such a meeting may sign one or several written requisitions in the same form requesting the Board to convene an EGM or a class shareholders' meeting, and the subject matter of the meeting shall be specified. Upon the receipt of the aforesaid written requisitions, the Board shall convene an extraordinary general meeting or a class shareholders' meeting as soon as possible. The calculation of the number of shares held as aforesaid shall be made as at the date of the written requisitions.
- (2) If the Board fails to give notice of meeting within 30 days of the receipt of the aforesaid written requisitions, the shareholders making such requests may convene a meeting within four months of the receipt of the said requisitions by the board of directors. The procedure for convening the meeting shall, as far as possible, be the same as those for convening a shareholders' meeting by the Board.

All reasonable expenses incurred in convening and holding a meeting by the shareholders as a result of the failure of the board of directors to convene such meeting upon the aforesaid requisitions shall be borne by the Company and the same shall be deducted from outstanding payments due to the directors who are in fault of their duties.

Putting Enquiries to the Board

The Company's information shall be communicated to the shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (quarterly, interim and annual reports), and its corporate communications and other corporate publications on the Company's website and the Stock Exchange's website. Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available. Any such questions shall be directed to the Board at the Company's registered office at Zhanwang Village, Yangxunqiao Town, Keqiao District, Shaoxing City, Zhejiang Province, the People's Republic of China.

Putting Forward Proposals at Shareholders' Meeting

To propose a person for election as a Director, starting from the second day after the dispatch of the notice of the general meeting appointed for the election of Director by the Company, a shareholder is entitled to lodge a notice in writing to the Company to propose a person for election as a Director. The minimum length of the period, during which the aforesaid notice is lodged with the Company, will be at least seven days. In any event, the aforesaid period shall end no later than 7 days prior to the date of such general meeting. In the aforesaid period of notice, such proposed Director shall give notice to the Company indicating his/her willingness to be elected.

Investor Relations

During the year ended 31 December 2016, there was no significant change in the Company's constitutional documents.

Report of the Board of Directors

The Directors submit their report together with the audited financial statements of the Company for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION OF OPERATION

The Company has been operating in manufacturing and sales of universal joint and automotive components for automobiles including cardan universal joints, wing bearing universal joints and differential spiders.

Segment information of operation of the Company for the year is set out in note 14 to the financial statements.

The results and the state of affairs of the Company for the year ended 31 December 2016 are set out on pages 52 to 97 of the annual report.

BUSINESS REVIEW

The business review of the Company for the year ended 31 December 2016 is set out in the section headed "Management Discussion and Analysis" on pages 5 to 8 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The Company's sales to the five largest customers accounted for approximately 44.73% of the Company's turnover during the year ended 31 December 2016 (2015: 43.53%). The Company's sales to the largest customer accounted for approximately 16.71% of the Company's turnover during the year ended 31 December 2016.

The Company's purchases attributable to the five largest suppliers in aggregate during the year ended 31 December 2016 amounted to approximately 58.06% of the total purchases (2015: 59.27%). The Company's purchases attributable to the largest supplier accounted for approximately 24.00% of the Company's total purchases during the year ended 31 December 2016 (2015: 26.12%).

At no time during the year ended 31 December 2016 had the Directors, their respective close associates (as defined in the GEM Listing Rules) or any shareholders of the Company (who, to the knowledge of the Directors, owned more than 5% of the number of the issued shares of the Company) had any interest in the aforesaid major customers and suppliers of the Company.

FINANCIAL STATEMENTS

The profit and cash flows of the Company for the year ended 31 December 2016 and the state of the Company's affairs as at the date are set out in the financial statements on pages 52 to 55.

DIVIDENDS

The Directors did not recommend payment of any dividend during and for the year ended 31 December 2016.

CHARITABLE DONATIONS

There was no charitable donations made by the Company during the year ended 31 December 2016.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Company during the year ended 31 December 2016 are set out in note 15 to the financial statements.

Report of the Board of Directors

SHARE CAPITAL

Details of the share capital during the year are set out in note 22 to the financial statements.

SHARES ISSUED

The Company did not issue any shares of the Company during the year ended 31 December 2016.

DEBENTURES ISSUED

The Company did not issue any debentures during the year ended 31 December 2016.

EQUITY LINKED AGREEMENTS

The Company did not enter into any equity-linked agreements that will or may result in the Company issuing shares of the Company during the year ended 31 December 2016.

RESERVES

Details of movements in reserves of the Company during the year are set out in note 23 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2016 and 31 December 2015, the Company did not have distributable reserves.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years is set out on page 98.

DIRECTORS', SUPERVISORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed in note 26 on the financial statements, there was no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a Director or a Supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No contract of significance has been entered into during the year between the Company and its controlling shareholders or any its subsidiaries. No contract of significance for the provision of services to the Company by its controlling shareholder or any of its subsidiaries was entered into during the year and as at the date of this report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors (including the non-executive Directors) and Supervisors has entered into a service contract with the Company. Each service contract is for an initial term of three years commencing on the respective date of appointment at the shareholder's meetings. Save as disclosed above, no Director or Supervisor (including the Directors and Supervisors proposed for re-election at the forthcoming annual general meeting) has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Report of the Board of Directors

DIRECTORS AND SUPERVISORS

The Directors and Supervisors during the year ended 31 December 2016 and up to the date of this report are:

Executive Directors

Mr. Fei Guo Yang (*the Chairman*)
Mr. Hong Guo Ding (*the Managing Director*)
Mr. Hong Chun Qiang

Non-executive Directors

Mr. Tang Cheng Fang
Mr. Li Zhang Rui
Ms. Tang Jing Jing

Independent non-executive Directors

Mr. Wang He Rong
Mr. Lu Guo Qing
Mr. Ma Hong Ming

Supervisors

Mr. Hong Jin Shui
Mr. Feng Yun Lin
Mr. Chen Jin Long

Independent Supervisors

Mr. Wang Zhong
Mr. Wang Ye Gang

In accordance with article 100 of the Company's Articles of Association, Directors shall be elected at the shareholders' general meeting for a term of three years. A Director may serve consecutive terms if re-elected upon the expiration of the term.

All existing Directors (including executive, non-executive and independent non-executive Directors) are appointed for a term of three years, and are subject to election for appointment by shareholders at the general meeting by the end of the three-year period.

In accordance with articles 119 and 120 of the Articles of Association, Supervisors representing the shareholders shall be elected at the shareholders' general meeting and the Supervisor representing the staff members of the Company shall be elected by the staff members of the Company. The term for Supervisors are three years and a Supervisor may serve consecutive terms if re-elected upon the expiration of the term.

Report of the Board of Directors

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of Directors, Supervisors and senior management are set out in pages 9 to 12.

DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of Directors and Supervisors' emoluments for the year are set out in note 12 to the financial statements.

EMOLUMENT POLICY

Details of the emolument policy for the Company's staff are set out in the paragraph headed "Employee Information" in this annual report and details of the basis of determining the emolument payable to the Directors are set out in the paragraph headed "Remuneration Committee" in this annual report.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY

As at 31 December 2016, the interests and short positions of the Directors and Supervisors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.46 of the GEM Listing Rules, were as follows:

Long position in shares

Director/Supervisor	Capacity	No. and class of securities	Approximate percentage of domestic shares	Approximate percentage of total registered share capital
Ms. Tang Jing Jing (a non-executive Director) (Note)	Beneficial owner	4,466,667 domestic shares	8.33%	5.83%
Mr. Hong Guo Ding (the Managing Director and an executive Director)	Beneficial owner	3,216,000 domestic shares	6%	4.2%
Mr. Tang Cheng Fang (a non-executive Director)	Beneficial owner	2,680,000 domestic shares	5%	3.5%
Mr. Fei Guo Yang (the Chairman and an executive Director)	Beneficial owner	1,072,000 domestic shares	2%	1.4%
Mr. Feng Yun Lin (a Supervisor)	Beneficial owner	1,072,000 domestic shares	2%	1.4%

Report of the Board of Directors

Saved as disclosed above, as at 31 December 2016, none of the Directors, chief executives and Supervisors of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listings Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SHARES OF THE COMPANY

So far as was known to any Director or chief executive of the Company, as at 31 December 2016, the following persons (other than the Directors and Supervisors as disclosed in the paragraph headed "Directors' and Supervisors' interests in Shares of the Company" above) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares

Names of Shareholders	Capacity	No. and class of securities	Approximate percentage of shareholding in the same class of securities	Approximate percentage of shareholding in the total registered share capital
Mr. Tang Li Ming (Note)	Beneficial owner	36,626,666 domestic shares	68.33%	47.82%
Mr. Tang Jing Qi (formerly known as Tang Liu Jun) (Note)	Beneficial owner	4,466,667 domestic shares	8.33%	5.83%
Greater China I Private Placement Fund	Investment Manager	1,360,000 H shares	5.91%	1.78%

Note: Mr. Tang Li Ming is the father of Ms. Tang Jing Jing, a non-executive Director, and Mr. Tang Jing Qi.

Saved as disclosed above, as at 31 December 2016, the Directors were not aware of any other person (other than the Directors and Supervisors as disclosed in the paragraph headed "Directors' and Supervisors' interests in Shares of the Company" above) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Report of the Board of Directors

RELATED PARTY TRANSACTIONS

Material related party transactions entered into by the Company or previously entered into by the Company and subsisted during the year ended 31 December 2016 are disclosed in note 26 to the financial statements. The related party transactions as disclosed in note 26(b) to the financial statements are connected transactions during the year ended 31 December 2016 exempted from reporting, announcement and independent shareholders' approval requirements according to the GEM Listing Rules.

The related party transaction as disclosed in note 26(b) to the financial statements constituted connected transactions under Chapter 20 of the GEM Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

With respect to a guarantee amounting to RMB21,000,000 (the "Guarantee") provided by the Company in connection with the facilities granted by 中信銀行股份有限公司紹興分行 (Shaoxing Branch of China Citic Bank Corporation Limited*) (the "Bank") to 浙江中發薄膜有限公司 (Zhejiang Zhongfa Bomo Co.,Ltd) (the "Borrower"), on 3 October 2016, the Borrower and the Company entered into a guarantee fee agreement (the "Guarantee Fee Agreement"), pursuant to which the Borrower will pay the guarantee fee (being 1% of the amount of the Guarantee per annum) to the Company. On the same day, Mr. Tang Cheng Fang ("Mr. Tang"), a non-executive Director, and the Company entered into an indemnity agreement (the "Indemnity Agreement"), pursuant to which Mr. Tang agreed and undertook to indemnify the Company against any liquidated damages, penalty claims and all other relevant expenses incurred by the Company in relation to the Guarantee.

Upon the approval of the independent Shareholders at the extraordinary general meeting of the Company held on 19 December 2016, the Company, as guarantor, entered into two guarantee agreements with the Bank (the "Guarantee Agreements") at the request and in favour of the Bank, pursuant to which the Company would provide the Guarantee.

* For identification purpose only

Report of the Board of Directors

Mr. Tang is a Director and hence a connected person of the Company. As Mr. Tang is indirectly beneficially interested in approximately 37.8% of the Borrower, the Borrower is an associate of Mr. Tang under Chapter 20 of the GEM Listing Rules. The transactions contemplated under the Guarantee Agreements, the Guarantee Fee Agreement and the Indemnity Agreement constituted connected transaction of the Company, which were subject to reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Such transactions also constituted discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

Further details regarding the connected transactions are set out in the announcements of the Company dated 3 and 25 October 2016 and the circular of the Company dated 2 November 2016.

COMPETING INTERESTS

None of the Directors and Supervisors and their respective close associates (as defined in the GEM Listing Rules) had any interest in any businesses which directly or indirectly compete or may compete with the business of the Company during the year ended 31 December 2016.

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

The Company had not purchased, sold or redeemed any of its listed securities during the year ended 31 December 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Written confirmation of independence has been received from each of the independent non-executive Directors pursuant to rule 5.09 of the GEM Listing Rules and the Company considers all existing independent non-executive Directors to be independent.

For further details regarding independence of the independent non-executive Directors, please refer to the paragraph headed "Board of Directors" in Corporate Governance in this annual report.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2016.

Report of the Board of Directors

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company specializes in the manufacture of universal joints and automotive components for automobiles and the production of such fully complies with the environmental standards required by the local authorities for environmental protection. The raw material used for production of universal joints and automotive components is steel and the production of such has no impact on the environment as the limited amount of waste water produced in the course of manufacture was disposed with care via sewers. Further details regarding the environmental matters and polices of the Company are set out in the ESG Report in page 13 to 20 of this annual reports.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board pays attention to the Company's policies and practices on compliance with legal and regulatory requirements in both the PRC and in Hong Kong. External compliance and legal advisers are engaged to ensure transactions and business performed by the Company are within the applicable legal framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. During the year ended 31 December 2016 and up to the date of this annual report, there is no material non-compliance with the relevant prevailing laws and regulation in the PRC and in Hong Kong by the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

A consideration portion of the Company's revenue is generated from the Company's sale of universal joints for automobiles. Therefore, the demand for such automobile products has a considerable impact on the Company's financial performance. The biggest risks and uncertainties that the Company faces is therefore the demand for such automobile products in the market.

The Company's business operates in an industry that is subject to changes in market conditions, technological advancements, changing industry standards and changing customers' needs. It is therefore vital for the Company to respond to these changes promptly as failure to continually enhance the existing products and market new products in a timely manner to come in line with the industry's development would adversely affect the Company's performance.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The employees, suppliers and customers of the Company play an important role in the Company's development and on which the Company's success depends. The Company provides competitive remuneration packages to attract and motivate the employees. The Company regularly reviews the remuneration packages of employees and makes necessary adjustments to conform with the market standard. As the Company's success largely depends on the demand for the automobile products, the Company would continue to maintain good relationship with its suppliers and customers to ensure the products are of good quality and match the needs of both our domestic and overseas customers.

FUTURE DEVELOPMENT OF THE BUSINESS

Discussion of the Company's future development is set out in the section headed "Outlook and Prospect" in Management Discussion and Analysis in page 8 of this annual report.

Report of the Board of Directors

AUDIT COMMITTEE

The Company set up the Audit Committee on 4 January 2004 with its updated written terms of reference adopted on 22 December 2015 in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and provide supervision over the financial reporting process and risk management and internal control systems of the Company.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming. The Audit Committee had reviewed the Company's annual results, including the Company's financial statements for the year ended 31 December 2016 and had provided advice and comments thereon to the Board. The Audit Committee have reviewed the annual results and was of the opinion that the Company's annual results complied with the applicable accounting standards and the applicable laws and regulations including the GEM Listing Rules, and that adequate disclosures had been made.

RETIREMENT BENEFIT COSTS

Particulars of the retirement benefit costs of the Company are set out in note 11 to the financial statements.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance. The principles of good corporate governance emphasize transparency and accountability to shareholders, an effective Board for leadership and control of the Company, and high standards of business ethics and integrity in all activities.

For the year ended 31 December 2016, the Company has adopted and complied with the code provisions set out in the Code.

POST BALANCE SHEET EVENTS

There was no significant post balance sheet events of the Company.

PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital are held by the public at all times during the year ended 31 December 2016 and up to the date of this annual report.

ANNUAL GENERAL MEETING AND CLOSURE OF SHARE REGISTER

The H Share register of members of the Company will be closed from Tuesday, 18 April 2017 to Friday, 19 May 2017 (both dates inclusive), during which no transfer of H shares will be registered. In order to qualify for attending the forthcoming annual general meeting of the Company to be held on Friday, 19 May 2017, unregistered holders of H shares of the Company should ensure that all transfers of H shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 13 April 2017.

Report of the Board of Directors

AUDITOR

The financial statements for the year ended 31 December 2016 have been audited by Crowe Horwath (HK) CPA Limited who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of Crowe Horwath (HK) CPA Limited as the auditor of the Company will be proposed at the forthcoming annual general meeting.

At the annual general meeting of the Company held on 19 May 2016, the shareholders of the Company had passed the resolution to re-appoint Crowe Horwath (HK) CPA Limited as the auditors of the Company.

By order of the Board

Zhejiang Prospect Company Limited*

Mr. Fei Guo Yang

Chairman

Zhejiang Province, the People's Republic of China

21 March 2017

* For identification purpose only

Report of the Supervisory Committee

To the shareholders of the Company

The Supervisory Committee of the Company (the “Supervisory Committee”), in compliance with the provisions of the Company Law of the PRC (the “PRC Company Law”), the relevant laws and regulations of Hong Kong and the Articles of Association, undertook their duty, took up an active role to work reasonably and cautiously with diligence to protect the interest of the Company and its shareholders.

During the year ended 31 December 2016, the Supervisory Committee had reviewed cautiously the operation and development plans of the Company and provided reasonable suggestions and opinions to the Board. It also strictly and effectively monitored and supervised the Company’s management in making significant policies and decisions to ensure that they are in compliance with the laws and regulations of the PRC and the Articles of Association, and in the interests of its shareholders.

The Supervisory Committee have reviewed and agreed to the report of the Directors and audited financial statements for presentation at the forthcoming annual general meeting. We are of the opinion that the Directors, the general manager and other senior management of the Company were able to strictly observe their fiduciary duty, to act diligently and to exercise their authority faithfully in the best interests of the Company. The transactions between the Company and connected persons are in the interests of the shareholders as a whole and under fair and reasonable price. Up till now, none of the Directors, general manager and senior management staff had been found abusing their authority, damaging the interests of the Company and infringing upon the interests of its shareholders and employees. And none of them were found to be in breach of any laws and regulations or the Articles of Association.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2016 and has great confidence in the future of the Company.

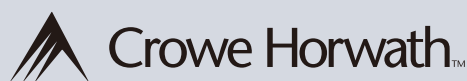
By Order of the Supervisory Committee
Zhejiang Prospect Company Limited*

Mr. Hong Jin Shui
Chairman

Zhejiang Province, the PRC
21 March 2017

* For identification purpose only

Independent Auditor's Report



國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ZHEJIANG PROSPECT COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the financial statements of Zhejiang Prospect Company Limited ("the Company") set out on pages 52 to 97, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Impairment of property, plant and equipment

Refer to note 15 (property, plant and equipment) and the accounting policies on pages 60-62.

The Key Audit Matter

Trading of universal joints for automobiles in Mainland China are facing increasing competition, particularly from the increase in costs of production including labour and raw materials, which has negatively impacted the sales of the Company.

There is a risk that the carrying value of property, plant and equipment of the Company may not be recoverable in full through the future cash flows to be generated.

Management reviews the performance of the Company at the end of each reporting period to identify if the Company meets certain negative performance criteria ("indicators") which could indicate impairment. Such indicators include:

- decrease in revenue;
- decrease in gross cash flow from operations for consecutive years; or
- revenue being significantly lower than the project forecast.

Where indicators of impairment are identified, the recoverable amount of the property, plant and equipment is determined by management at the greater of the value in use and the fair value less cost of disposal of these assets

In determining the value in use of the cash generating units where property, plant and equipment belongs to, a discounted cash flow forecast was prepared by management where indicators of impairment were identified.

Where an indicator of impairment was identified, a valuation was carried out by independent professional valuers to determine the fair value of the property, plant and equipment.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of property, plant and equipment included the following:

- challenged the Company's impairment assessment model by assessing the impairment indicators identified by management and by considering whether the discounted cash flow forecasts supported the carrying value of the relevant assets;
- used our internal valuation specialists to assist us in evaluating the methodology used by management in the preparation of its discounted cash flow forecast and the valuations performed by independent professional valuers with reference to the requirements of the prevailing accounting standards;
- compared the most significant inputs used in the discounted cash flow forecasts, including future revenue growth rates, future margins and future costs, with the historical performance of the Company, budgets approved by management and agreements signed subsequent to the reporting date;
- compared the most significant inputs used in the discounted cash flow forecasts prepared in the prior year with the current year's performance of the Company to assess the accuracy of management's forecasting process and enquiring of management for any significant variations identified;
- assessed the discount rates used in the discounted cash flow forecasts by benchmarking against other similar companies;

Impairment of property, plant and equipment

Refer to note 15 (property, plant and equipment) and the accounting policies on pages 60-62.

The Key Audit Matter

In preparing the discounted cash flow forecasts, key inputs, including future revenue growth rates, future margins and future costs of the Company are determined by management taking into consideration factors which include changes in expected customers numbers all of which involve the exercise of significant management judgement.

We identified potential impairment of property, plant and equipment as a key audit matter because identifying impairment indicators and determining the level of impairment, if any, involves a significant degree of management judgement, particularly in forecasting future cash flows and estimating the recoverable amounts of these assets, both of which are inherently uncertain and could be subject to management bias.

How the matter was addressed in our audit

- obtained sensitivity analyses of the significant inputs, including future revenue growth rates, future margins and the discount rates used in the cash flow forecasts prepared by management and considering the resulting impact on the impairment charge for the year and whether there were any indicators of management bias; and
- evaluated the experience, competence, capabilities and objectivity of independent professional valuers engaged by management to carry out the valuations of property, plant and equipment.

Independent Auditor's Report

Impairment of receivables

Refer to note 18 (trade and other receivables) and the accounting policies on pages 60-62.

The Key Audit Matter

As at 31 December 2016, trade and other receivables of the Company amounted to RMB52,083,000, which accounted for approximately 42% of the Company's total assets.

Management performed periodic credit monitoring, which included the review of customers' credit worthiness, collection of outstanding balances and individual credit terms. If there is indicator that the receivables are impaired, management would make specific provision against individual balances with reference to the recoverable amount.

We focused on this area due to the magnitude of the receivables and the estimation and judgement involved in the determination of the recoverable amounts of the receivables.

How the matter was addressed in our audit

Our audit procedures in relation to management's assessment on recoverability of trade and other receivables included:

- understood and validated the credit control procedures performed by management, including its procedures on periodic review on aged receivables and assessment on recoverability of these receivables;
- tested on a sample basis, the accuracy of ageing profile on trade receivables by checking to the underlying sales invoices; and
- tested on a sample basis, subsequent settlement of trade receivables balances. Where settlement had not been received subsequent to the year end for those aged receivables beyond the credit period as at year end, we obtained management's assessment on the recoverability of these debts and corroborated explanations with historical settlement pattern and underlying correspondence with the relevant debtors.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Auditor's Report

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the 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 director on the audit resulting in this independent auditor's report is Sze Chor Chun, Yvonne.

Crowe Horwath (HK) CPA Limited

Certified Public Accountants

Hong Kong, 21 March 2017

Sze Chor Chun, Yvonne*Practising Certificate Number P05049*

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Revenue	4	62,036	69,095
Cost of sales		(52,960)	(55,926)
Gross profit		9,076	13,169
Other income	5	457	57,489
Distribution costs		(1,584)	(1,778)
Administrative and other operating expenses		(11,242)	(10,381)
Impairment loss on property, plant and equipment		(10,900)	–
(Loss)/profit from operations	6	(14,193)	58,499
Finance costs	7	(2)	(369)
(Loss)/profit before taxation		(14,195)	58,130
Income tax	8	–	(12,218)
(Loss)/profit for the year attributable to owners of the Company		(14,195)	45,912
Other comprehensive income for the year, net of nil tax		–	–
Total comprehensive (loss)/income for the year attributable to owners of the Company		(14,195)	45,912
(Loss)/earnings per share			
Basic and diluted	10	(RMB0.185)	RMB0.599

The notes on pages 56 to 97 form part of these financial statements.

Statement of Financial Position

As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	15	–	11,536
Prepaid lease payments	16	–	–
Deposits paid for acquisition of property, plant and equipment	18	4,349	–
		4,349	11,536
Current assets			
Inventories	17	19,197	19,949
Trade and other receivables	18	52,588	67,846
Cash and cash equivalents	19	52,135	41,102
		123,920	128,897
Current liabilities			
Trade and other payables	20	19,153	17,122
Current taxation	21	12,218	12,218
		(31,371)	(29,340)
NET ASSETS		96,898	111,093
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	76,600	76,600
Reserves	23	20,298	34,493
TOTAL EQUITY		96,898	111,093

The financial statements on pages 52 to 97 were approved and authorised for issue by the board of directors on 21 March 2017 and signed on its behalf by:

Fei Guo Yang
 Director

Hong Guo Ding
 Director

The notes on pages 56 to 97 form part of these financial statement.

Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company				Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory Surplus reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	
At 1 January 2015	76,600	246	5,709	(17,374)	65,181
Changes in equity for 2015:					
Profit for the year	-	-	-	45,912	45,912
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	45,912	45,912
Appropriation of reserves	-	-	4,591	(4,591)	-
At 31 December 2015 and 1 January 2016	76,600	246	10,300	23,947	111,093
Changes in equity for 2016:					
Loss for the year	-	-	-	(14,195)	(14,195)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(14,195)	(14,195)
At 31 December 2016	76,600	246	10,300	9,752	96,898

The notes on pages 56 to 97 form part of these financial statement.

Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
(Loss)/profit before taxation		(14,195)	58,130
Adjustments for:			
Depreciation of property, plant and equipment		3,642	4,569
Amortisation of prepaid lease payments		–	102
Amortisation of financial guarantee contracts		(74)	–
Interest income		(537)	(26)
Finance costs		2	369
Net loss/(gain) on disposal of property, plant and equipment and prepaid lease payments		3	(54,115)
Impairment loss on property, plant and equipment		10,900	–
Impairment loss on trade receivables		1,409	379
Reversal of write down of inventories		(1,318)	–
Reversal of impairment loss on trade receivables		(233)	(956)
		(401)	8,452
Changes in working capital:			
Decrease in inventories		2,070	1,668
Decrease in trade and other receivables		14,082	8,847
Increase/(decrease) in trade and other payables		2,105	(3,706)
Net cash generated from operating activities		17,856	15,261
Investing activities			
Purchase of property, plant and equipment		(3,015)	(5,187)
Deposits paid for acquisition of property, plant and equipment		(4,349)	–
Proceeds from disposal of property, plant and equipment and prepaid lease payments		6	30,818
Loan to an independent third party		(27,000)	–
Repayment of loan from an independent third party		27,000	–
Interest received		537	26
Net cash (used in)/generated from investing activities		(6,821)	25,657
Financing activities			
Repayment of interest-bearing borrowings		–	(10,000)
Interest paid		(2)	(369)
Net cash used in financing activities		(2)	(10,369)
Net increase in cash and cash equivalents		11,033	30,549
Cash and cash equivalents at beginning of year		41,102	10,553
Cash and cash equivalents at end of year	19	52,135	41,102

The notes on pages 56 to 97 form part of these financial statement.

Notes to the Financial Statements

For the year ended 31 December 2016

I. CORPORATE INFORMATION

a) General

The Company was incorporated and domiciled in the People's Republic of China ("the PRC") on 7 June 1995 as a limited liability company. Its H shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited since 18 February 2004.

The address of its registered office is Zhanwang Village, Yangxunqiao Town, Keqiao District, Shaoxing City, Zhejiang Province, the PRC. The address of its principal place of business in Hong Kong is Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong.

b) Principal activity

The Company is principally engaged in the manufacture and sale of universal joints for automobiles.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Company are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

Notes to the Financial Statements

*For the year ended 31 December 2016***2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***b) Basis of preparation of the financial statements**

The measurement basis used in the preparation of the financial statements is the historical cost basis. These financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency, (currency of the primary economic environment in which the entity operates) of the Company. All values are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 29.

c) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(e)).

Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**c) Property, plant and equipment** (Continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Building held for own use	20-30 years or the lease term of the land, if shorter
Machinery and equipment	5-12 years
Office equipment and furniture	2-5 years
Motor vehicles	5 years
Leasehold improvements	10 years or over the lease term (whichever is shorter)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2(e)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

d) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Company

Assets held by the Company under leases which transfer to the Company substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Company are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Company, or taken over from the previous lessee.

Notes to the Financial Statements

*For the year ended 31 December 2016***2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*d) **Leased assets** *(Continued)*ii) *Operating lease charges*

Where the Company has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

iii) *Leasehold land for own use*

When a lease includes both land and building elements, the Company 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 Company, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the 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 except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease.

Notes to the Financial Statements

For the year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Impairment of assets

i) *Impairment of trade and other receivables*

Trade and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Company about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as 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 (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and bills receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and bills receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Impairment of assets (Continued)

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the property, plant and equipment and deposits paid for acquisition of property, plant and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Notes to the Financial Statements

For the year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Impairment of assets (Continued)

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Company is required to prepare a quarterly financial report in respect of each quarter of the financial year. At the end of the quarterly period, the Company applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(e)(i) and (ii)).

f) Inventories

Inventories comprising raw materials, work-in-progress and finished goods are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

g) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(e)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

h) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note (2)(l)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Notes to the Financial Statements

For the year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**j) Employee benefits**

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Company was incorporated in the PRC and participates in defined contribution retirement plans managed by the local municipal government in the locations in which it operates. The relevant authorities of the local municipal government in the PRC are responsible for the retirement benefit obligations payable to the Company's retired employees. The Company has no obligation for payment of retirement benefits beyond the annual contributions. Contributions payable are charged as an expense to profit or loss as and when incurred.

k) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination).

Notes to the Financial Statements

For the year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Income tax (Continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

l) Financial guarantees issued, provisions and contingent liabilities

i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Company issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Company’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(l)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Company under the guarantee, and (ii) the amount of that claim on the Company is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

Notes to the Financial Statements

For the year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**l) Financial guarantees issued, provisions and contingent liabilities** (Continued)**ii) Other provisions and contingent liabilities**

Provisions are recognised for other liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) Sale of goods

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and returns.

ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

iii) Guarantee fee income

Income from provision of guarantee is recognised in profit or loss over the guarantee period on a straight line basis.

n) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

Notes to the Financial Statements

For the year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

p) Research and development costs

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 activities (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 assets 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 recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Notes to the Financial Statements

For the year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Related parties

a) *A person, or a close member of that person's family, is related to the Company if that person:*

- i) has control or joint control over the Company;
- ii) has significant influence over the Company; or
- iii) is a member of the key management personnel of the Company or the Company's parent.

b) *An entity is related to the Company if any of the following conditions applies:*

- i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii) Both entities are joint ventures of the same third party.
- iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
- vi) The entity is controlled or jointly controlled by a person identified in (a).
- vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Financial Statements

For the year ended 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Company's board of directors, being the Company's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Company's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of amendments to HKFRSs that are effective for the current accounting period of the Company.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

The application of the above amendments to HKFRSs in the current year has had no material effect on the Company's financial performance and positions for the current and prior accounting periods and/or on the disclosures in the Company's financial statements.

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE

The principal activities of the Company are manufacture and sale of universal joints for automobiles.

Revenue represents the sales value of goods supplied to customers, which excludes value-added tax and is stated after deduction of all goods returns and trade discounts.

Notes to the Financial Statements

For the year ended 31 December 2016

5. OTHER INCOME

	2016 RMB'000	2015 RMB'000
Bank interest income	163	26
Other interest income (<i>note a</i>)	374	–
<hr/>		
Total interest income on financial assets not at fair value through profit or loss	537	26
Sales of scrap materials	32	268
Guarantee fee income	141	–
Net (loss)/gain on disposal of property, plant and equipment and prepaid lease payment	(3)	54,115
Reversal of accrued expenses (<i>note b</i>)	–	1,253
Reversal of impairment loss on trade receivables, net	(1,176)	577
Sundry income	14	102
Foreign exchange gain, net	912	1,148
<hr/>		
	457	57,489
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Notes:

- a) Included in interest income, RMB332,000 was the interests received from an independent third party. On 12 July 2016, the Company entered into a loan agreement with an independent third party, pursuant to which the Company agreed to advance a loan in the principal amount of RMB27,000,000, which was interest-bearing at 5% per annum and repayable on demand. The loan was fully repaid by the independent third party during the year.
- b) It represented waiver of previously accrued default penalty on full settlement of the entrusted loan.

Notes to the Financial Statements

For the year ended 31 December 2016

6. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is stated at after charging/(crediting) the followings:

	2016 RMB'000	2015 RMB'000
Cost of inventories [#] (see note 17)	52,960	55,926
Staff costs		
– Salaries, wages and other benefits (including directors' and supervisors' emoluments) (see note 12)	11,408	11,838
– Contributions to defined contribution retirement plan (see note 11)	1,453	730
	12,861	12,568
Operating lease charges: minimum lease payments	2,251	1,601
Research and development costs	173	207
Depreciation of property, plant and equipment	3,642	4,569
Amortisation of prepaid lease payments	–	102
Auditor's remuneration	428	394
Net loss/(gain) on disposal of property, plant and equipment and prepaid lease payments	3	(54,115)
Impairment loss on property, plant and equipment*	10,900	–
Impairment loss on trade receivables	1,409	379
Reversal of impairment loss on trade receivables	(233)	(956)
Foreign exchange gain, net	(912)	(1,148)

[#] Cost of inventories includes RMB12,637,000 (2015: RMB13,777,000) relating to staff costs and depreciation which amount is also included in the respective total amounts disclosed separately above.

7. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest expenses on an entrusted loan, being total interest expenses on financial liabilities not at fair value through profit or loss (note a)	–	369
Other interest expenses	2	–
	2	369

Note:

- a) The amount represented interest expenses on an entrusted loan of RMB15,000,000 borrowed from a PRC Government related organisation through a bank in the PRC. On 25 September 2015, the Company fully settled the balance.

Notes to the Financial Statements

For the year ended 31 December 2016

8. INCOME TAX

- a) For the year ended 31 December 2016, PRC Enterprise Income Tax (“EIT”) is calculated at 25% on the estimated assessable profits. For the year ended 31 December 2015, PRC EIT is calculated at 25% on the estimated assessable profits less tax losses brought forward from prior years.

For the years ended 31 December 2016 and 2015, no Hong Kong Profits Tax has been provided for in the financial statements as the Company did not have business in Hong Kong.

- b) Reconciliation between tax expense and accounting (loss)/profit at the applicable tax rate:

	2016 RMB'000	2015 RMB'000
(Loss)/profit before taxation	(14,195)	58,130
Notional tax on (loss)/profit before taxation calculated at the applicable tax rate of 25% (2015: 25%)	(3,549)	14,532
Tax effect of non-deductible expenses	3,372	373
Tax effect of non-taxable income	(93)	268
Tax effect of timing difference not recognised	(152)	(1,084)
Tax effect of utilisation of tax losses previously not recognised	–	(1,871)
Tax effect of tax losses not recognised	422	–
Actual tax expense	–	12,218

- c) No provision for deferred taxation has been made for the years ended 31 December 2016 and 2015 in respect of other temporary differences as it is not considered probable that taxable profits will be available against which can be utilised. The cumulative tax losses of approximately RMB7,484,000 for the year ended 31 December 2014 were fully utilised during the year ended 31 December 2015.

Notes to the Financial Statements

For the year ended 31 December 2016

9. DIVIDENDS

The directors of the Company resolved not to declare any dividend in respect of the year ended 31 December 2016 (2015: Nil).

10. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share was calculated based on the loss attributable to owners of the Company of RMB14,195,000 (2015: profit of RMB45,912,000) and the weighted average number of 76,600,000 shares (2015: 76,600,000 shares) in issue during the year ended 31 December 2016.

Diluted (loss)/earnings per share equals to basic (loss)/earnings per share as there were no potential dilutive ordinary share outstanding during the years ended 31 December 2016 and 2015.

11. RETIREMENT BENEFIT COSTS

The Company was incorporated in the PRC and participates in defined contribution retirement plans managed by the local municipal government in the locations in which it operates. The Company is required to contribute a specific percentage of payroll costs to the defined contribution retirement plans. The Company has no other obligation beyond the annual contributions. Contributions paid and payable are charged as an expense to profit or loss. For the years ended 31 December 2016 and 2015, the total contributions amounted to approximately RMB1,453,000 and RMB730,000 respectively.

Notes to the Financial Statements

For the year ended 31 December 2016

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The details of emoluments payable to directors and supervisors of the Company are as follows:

Year ended 31 December 2016

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Contributions to defined contribution retirement plan RMB'000	Total RMB'000
Executive directors				
Hong Guo Ding (<i>Chief executive</i>)	-	-	-	-
Fei Guo Yang (<i>Chairman</i>) (<i>note b</i>)	-	108	14	122
Hong Chun Qiang	-	-	-	-
	-	108	14	122
Non-executive directors				
Tang Jing Jing (<i>note d</i>)	-	-	-	-
Tang Cheng Fang	-	-	-	-
Li Zhang Rui	-	-	-	-
	-	-	-	-
Independent non-executive directors				
Wang He Rong	30	-	-	30
Lu Guo Qing	30	-	-	30
Ma Hong Ming	30	-	-	30
	90	-	-	90
Supervisors				
Hong Jin Shui	-	90	14	104
Feng Yun Lin	-	-	-	-
Chen Jin Long	-	45	14	59
	-	135	28	163
Independent supervisors				
Wang Zhong	-	-	-	-
Wang Ye Gang	-	-	-	-
	-	-	-	-
	90	243	42	375

Notes to the Financial Statements

For the year ended 31 December 2016

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The details of emoluments payable to directors and supervisors of the Company are as follows:

Year ended 31 December 2015

	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Contributions to defined contribution retirement plan RMB'000	Total RMB'000
Executive directors				
Tang Li Min (note c)	–	–	–	–
Hong Guo Ding (Chief executive) (note a)	–	–	–	–
Fei Guo Yang (Chairman) (note b)	–	108	9	117
Hong Chun Qiang	–	13	–	13
	–	121	9	130
Non-executive directors				
Tang Jing Jing (note d)	–	–	–	–
Tang Cheng Fang	–	–	–	–
Li Zhang Rui	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Wang He Rong	30	–	–	30
Lu Guo Qing	30	–	–	30
Ma Hong Ming	30	–	–	30
	90	–	–	90
Supervisors				
Hong Jin Shui	–	90	9	99
Feng Yun Lin	–	–	–	–
Chen Jin Long	–	–	–	–
	–	90	9	99
Independent supervisors				
Wang Zhong	–	–	–	–
Wang Ye Gang	–	–	–	–
	–	–	–	–
	90	211	18	319

Notes:

- (a) Mr. Hong Guo Ding is the chief executive of the Company. No emolument was paid to him as chief executive and executive director of the Company.
- (b) Appointed as chairman on 2 February 2015.
- (c) Resigned as chairman and executive director on 2 February 2015.
- (d) Appointed as non-executive director on 2 February 2015.

Notes to the Financial Statements

For the year ended 31 December 2016

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

None of the directors and supervisors waived any emoluments during the years ended 31 December 2016 and 2015.

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Company to the directors or supervisors as an inducement to join or upon joining the Company or as compensations for loss of office.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments in the Company include one director (2015: one) and did not include any supervisors of the Company. Details of the emoluments of the directors and supervisors of the Company are disclosed in note 12 to the financial statements. The aggregate of the emoluments of these five (2015: five) individuals were as follows:

	2016	2015
	RMB'000	RMB'000
Salaries, allowances and other benefits	270	270
Discretionary bonuses	270	270
Contributions to defined contribution retirement plan	57	9
	597	549

The emoluments of each of the five individuals were below RMB896,000 and RMB837,000 (equivalent to HK\$1,000,000) for the years ended 31 December 2016 and 2015 respectively.

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Company to the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office and no bonuses were paid or payable by the Company to the five highest paid individuals based on the performance of the Company.

14. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the board of directors (the "Board"), being the Company's chief operating decision maker, regularly reviews the revenue based on domestic and overseas customers on a geographical basis and the Board reviewed the overall operating results of the Company to make strategic decisions. The Company has only one single reportable segment, being manufacture and sales of universal joints for automobiles.

Notes to the Financial Statements

For the year ended 31 December 2016

14. SEGMENT INFORMATION (Continued)**a) Segment results, assets and liabilities**

The financial information presented to the Board is consistent with the statement of profit or loss and other comprehensive income and the statement of financial position of the Company.

The Board considers the Company's (loss)/profit for the year as the measurement of segment's results.

b) Geographical information

The following table sets out information about the geographical location of the Company's revenue from external customers. The geographical location of customers is based on the location at which the goods are delivered.

	Revenue from external customers	
	2016 RMB'000	2015 RMB'000
The PRC (place of domicile), excluding Hong Kong	22,084	23,399
Europe	19,563	19,181
Asia other than the PRC	11,645	12,365
Other countries	8,744	14,150
	62,036	69,095

All of the Company's non-current assets are located in the PRC, so no analysis on non-current assets by location is presented.

c) Information about major customers

Revenues from customers each of which contributes 10% or more to the total revenues of the Company are as follows:

	2016 RMB'000	2015 RMB'000
Customer A	10,366	9,220

Notes to the Financial Statements

For the year ended 31 December 2016

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use RMB'000 (note b)	Machinery and equipment RMB'000	Office equipment and furniture RMB'000	Motor vehicles RMB'000	Leasehold Improvements RMB'000	Total RMB'000
Cost						
At 1 January 2015	26,916	47,854	1,180	1,998	–	77,948
Additions	95	493	149	484	3,966	5,187
Disposals	(27,011)	(5,411)	(315)	(826)	–	(33,563)
At 31 December 2015 and 1 January 2016	–	42,936	1,014	1,656	3,966	49,572
Additions	–	882	70	–	2,063	3,015
Disposals	–	–	(198)	–	–	(198)
At 31 December 2016	–	43,818	886	1,656	6,029	52,389
Accumulated depreciation and impairment losses						
At 1 January 2015	14,283	37,023	1,180	1,134	–	53,620
Charge for the year	691	3,555	2	224	97	4,569
Write back on disposals	(14,974)	(4,468)	(252)	(459)	–	(20,153)
At 31 December 2015 and 1 January 2016	–	36,110	930	899	97	38,036
Charge for the year	–	3,061	63	272	246	3,642
Write back on disposals	–	–	(189)	–	–	(189)
Impairment loss recognised (note a)	–	4,647	82	485	5,686	10,900
At 31 December 2016	–	43,818	886	1,656	6,029	52,389
Carrying amount						
At 31 December 2016	–	–	–	–	–	–
At 31 December 2015	–	6,826	84	757	3,869	11,536

Notes to the Financial Statements

For the year ended 31 December 2016

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

- a) For the year ended 31 December 2016, the Board assessed the recoverable amount of the cash generating unit (“CGU”) of the Company, being the universal joints manufacturing operation of the Company, based on value-in-use calculation using income approach (i.e. cash flow discounting). With reference to valuations conducted by an independent professional valuer, BMI Appraisal Limited, the recoverable amount of the CGU is RMBNil. The cash flow projections used in the value-in-use calculations were based on financial forecast approved by the Board for the next five years. Cash flows beyond the 5-year period were extrapolated using a growth rate of 3%. The pre-tax discount rate applied to the cash flow projections is 15.02% per annum.

The recoverable amount was lower than its carrying amount, and resulting that an impairment loss of property, plant and equipment of RMB10,900,000. The Board was of the opinion that the decrease in the recoverable amount of the property, plant and equipment was mainly attributable to severe and challenging market conditions and increase in production costs especially the increase in cost of raw materials, resulting in a decrease in revenue growth rate and gross margin.

- b) During the year ended 31 December 2015, the government resumed the Company’s land use rights where its buildings situated. Further details were disclosed in note 16.

16. PREPAID LEASE PAYMENTS

	2016 RMB’000	2015 RMB’000
At 1 January	–	5,327
Amortisation for the year	–	(102)
Disposal during the year	–	(5,225)
	<hr/>	<hr/>
At 31 December	–	–

Notes to the Financial Statements

For the year ended 31 December 2016

16. PREPAID LEASE PAYMENTS (Continued)

During the year ended 31 December 2015, the Company returned the land underlying the above land use rights at Zhanwang Villiage pursuant to the agreements with Yangxunqiao Town Government at a consideration of RMB73,425,000 for the land, buildings, appurtenances, relocation and reassembly of manufacturing equipment, suspended production or business, transitional subsidy and incentive for early relocation.

The transaction has been completed during the year ended 31 December 2015 and a balance of RMB48,425,000 (2015: RMB31,014,000) was received by the Company up to the end of the reporting period. The remaining balance of RMB25,000,000 (2015: RMB42,411,000) is included in trade and other receivables (note 18). Related costs incidental to the relocation of RMB1,063,000 were included in the gain on disposal of RMB54,725,000. This gain was included in the net gain on disposal of property, plant and equipment and prepaid lease payments during the year ended 31 December 2015.

17. INVENTORIES

	2016 RMB'000	2015 <i>RMB'000</i>
Raw materials	3,851	3,535
Work-in-progress	8,772	8,330
Finished goods	6,574	8,084
	19,197	19,949

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2016 RMB'000	2015 <i>RMB'000</i>
Carrying amount of inventories sold	54,278	55,926
Reversal of write-down of inventories (note a)	(1,318)	–
	52,960	55,926

Note:

- (a) The reversal of write down of inventories arose due to a subsequent increase in the value of certain products previously written down.

Notes to the Financial Statements

For the year ended 31 December 2016

18. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	28,246	25,602
Bills receivables	3,272	300
	31,518	25,902
Less: allowance for doubtful debts	(4,823)	(3,647)
	26,695	22,255
Consideration receivable from Yangxunqiao Town Government (<i>note i</i>)	25,000	42,411
Guarantee fee receivable	67	–
Other receivables	321	2,225
	52,083	66,891
Loans and receivables	52,083	66,891
Prepayments to suppliers	182	202
Deposits and other payments	206	721
Deposits paid for acquisitions of property, plant and equipment	4,349	–
Value added tax recoverable	117	32
	56,937	67,846
Analysed as:		
Non-current assets	4,349	–
Current assets	52,588	67,846
	56,937	67,846

Note i: The amount represents the balance of consideration receivable from Yangxunqiao Town Government in relation to resumption of the Company's land use rights during the year ended 31 December 2015 as disclosed in note 16, which is unsecured and interest free.

All of the trade and other receivables are expected to be recovered or recognised as expenses within one year.

Notes to the Financial Statements

For the year ended 31 December 2016

18. TRADE AND OTHER RECEIVABLES (Continued)

a) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade and bills receivables presented based on the date of goods delivered is as follows:

	2016 RMB'000	2015 <i>RMB'000</i>
Within 30 days	7,414	7,347
31-60 days	5,744	2,763
61-90 days	5,515	2,583
91-120 days	942	3,206
Over 120 days	11,903	10,003
	31,518	25,902
Less: allowance for doubtful debts	(4,823)	(3,647)
	26,695	22,255

Trade receivables and bills receivables are due within 30 to 120 days (2015: 30 to 120 days) from the date of billing. Further details on the Company's credit policy are set out in note 28(b)(i).

b) Allowance for doubtful debts

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Company is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Movement in the allowance for doubtful debts is as follows:

	2016 RMB'000	2015 <i>RMB'000</i>
At 1 January	3,647	6,867
Allowance for doubtful debts recognised during the year (Note)	1,409	379
Reversal of allowance for doubtful debts	(233)	(956)
Uncollectible amounts written off	-	(2,643)
At 31 December	4,823	3,647

Note: As at 31 December 2016, trade receivables of the Company amounting to approximately RMB4,823,000 (2015: RMB3,647,000) were individually determined to be impaired. These individually impaired receivables were long outstanding as at the end of the reporting period without subsequent settlements or were due from companies with financial difficulties. Accordingly, specific allowances for doubtful debts of approximately RMB1,409,000 (2015: RMB379,000) were recognised. The Company does not hold any collateral over these balances.

Notes to the Financial Statements

For the year ended 31 December 2016

18. TRADE AND OTHER RECEIVABLES (Continued)

c) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	19,615	15,899
Past due but not impaired		
Less than 2 months past due	4,336	2,957
2 months to 1 year past due	2,345	2,448
Over 1 year past due	399	951
	7,080	6,356
	26,695	22,255

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Company. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Company does not hold any collateral over these balances.

d) Transfer of financial assets

As at 31 December 2016, the Company endorsed certain bills receivable accepted by banks (the "Banks") in the PRC (the "Derecognised Bills"), to certain of its suppliers in order to settle the trade payables due to these suppliers with a total carrying amount in aggregate of RMB5,079,000 (2015: RMB5,646,000). The Derecognised Bills will mature in one to six months after the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Company if the Banks default (the "Continuing Involvement"). In the opinion of the directors, the Company has transferred substantially all risks and rewards relating to the Derecognised Bills, accordingly, it derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss arising from the Company's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Company's Continuing Involvement in the Derecognised Bills are not significant since the likelihood that the Banks with default is remote.

During the year, the Company has not recognised any gain or loss on the date of transfer of the Derecognised Bills (2015: Nil). No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

Notes to the Financial Statements

For the year ended 31 December 2016

19. CASH AND CASH EQUIVALENTS

	2016 RMB'000	2015 RMB'000
Cash and cash equivalents in the statement of financial position and the statement of cash flows	52,135	41,102

At 31 December 2016, the cash and cash equivalents of the Company comprise cash at bank and on hand and denominated in RMB amounted to RMB52,070,000 (2015: RMB41,102,000). The RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks with authorised foreign exchange business.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

20. TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	11,207	7,770
Other payables and accruals	7,315	7,787
Financial guarantee contracts (note 24)	158	–
Financial liabilities measured at amortised cost	18,680	15,557
Trade deposits received from customers	232	1,336
Other tax payables	241	229
	19,153	17,122

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Notes to the Financial Statements

For the year ended 31 December 2016

20. TRADE AND OTHER PAYABLES (Continued)

As at the end of the reporting period, the ageing analysis of trade payables presented based on the date of goods received as at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
Within 90 days	9,097	6,046
91 – 180 days	1,459	1,331
181 – 365 days	445	281
Over 365 days	206	112
	11,207	7,770

21 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

Current taxation in the statement of financial position represents:

	2016 RMB'000	2015 RMB'000
PRC EIT	12,218	12,218

22. SHARE CAPITAL

	<i>Number of shares</i>	<i>RMB'000</i>
Registered, issued and fully paid:		
Domestic shares of RMB1 each (Note)	53,600,000	53,600
H Shares of RMB1 each	23,000,000	23,000
At 1 January 2015, 31 December 2015 and 2016	76,600,000	76,600

Note: On 9 August 2002, the Company was transformed into a joint stock limited company and obtained the enterprise legal person business license issued by the Administration Bureau of Industry and Commerce of the Zhejiang Province. The registered paid-in capital, retained profits, statutory surplus reserve and statutory public welfare fund at 30 June 2002 were capitalised into 53,600,000 shares of RMB1 each, totalling RMB53,600,000, in accordance with Article 99 of the PRC Company Law.

Notes to the Financial Statements

For the year ended 31 December 2016

22. SHARE CAPITAL (Continued)**Capital management**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise owner value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payments to owners, issue new shares as well as raise new debts or redeem existing debts as it sees fit and appropriate.

The Company monitors capital on the basis of the net debt to equity ratio, which is calculated as net debt divided by total equity. Net debt is calculated as interest-bearing borrowings less cash and cash equivalents.

As at 31 December 2016, the cash position of the Company amounted to approximately RMB52,135,000 (2015: RMB41,102,000). There are no borrowings raised by the Company.

The Company is not subject to any externally imposed capital requirements.

23. RESERVES

	Share premium RMB'000	Statutory Surplus reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2015	246	5,709	(17,374)	(11,419)
Changes for 2015:				
Profit for the year	–	–	45,912	45,912
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	45,912	45,912
Appropriation of reserves	–	4,591	(4,591)	–
At 31 December 2015 and 1 January 2016	246	10,300	23,947	34,493
Changes for 2016:				
Loss for the year	–	–	(14,195)	(14,195)
Other comprehensive income	–	–	–	–
Total comprehensive loss for the year	–	–	(14,195)	(14,195)
Appropriation of reserves	–	–	–	–
At 31 December 2016	246	10,300	9,752	20,298

Notes to the Financial Statements

For the year ended 31 December 2016

23. RESERVES (Continued)**a) Share premium**

Share premium is the amount by which the fair value of the consideration received exceeds the nominal value of shares issued, net of transaction cost.

b) Statutory surplus reserve

According to the Company's articles of association, the Company is required to transfer 10% of its net profit after tax, as determined in accordance with the PRC relevant rules and regulations, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the Company's registered capital, any further appropriation is optional. The transfer to this reserve must be made before distribution of a dividend to the shareholders.

Statutory surplus reserve can be used to make up previous years' losses, if any, and may be converted into capital and distributed in proportion to the shareholders' existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital.

c) Distributable reserves

Pursuant to the Company's articles of association, the profit after tax of the Company for the purpose of profit distribution to equity shareholders is deemed to be the lesser of (i) the profit determined in accordance with the PRC accounting rules and regulations; and (ii) the net profit determined in accordance with the accounting principles generally accepted in Hong Kong.

Under the PRC Company Law and the Company's articles of association, profit after tax can be distributed as dividends after allowance has been made for:

- i) making up cumulative prior years' losses, if any;
- ii) allocation of 10% of profit after tax, as determined in accordance with the PRC relevant rules and regulations, to the Company's statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the Company's registered capital, any further appropriation is optional; and
- iii) allocation to the discretionary surplus reserve, if approved by the shareholders.

Notes to the Financial Statements

For the year ended 31 December 2016

24. FINANCIAL GUARANTEE LIABILITIES

	2016 RMB'000	2015 RMB'000
Bank guarantees given to a connected party (unsecured)	158	–

On 3 July 2016, the Company entered into two guarantee agreements as guarantor to a bank in respect of banking facilities amounted to RMB21,000,000 granted to 浙江中發薄膜有限公司 (the “Borrower”).

The Borrower is owned as to 90% by 浙江邦盟實業有限公司, which is in turn owned as to 42% by Mr. Tang Cheng Fang (“Mr. Tang”), a non-executive director of the Company.

On 3 October 2016, the Borrower and the Company entered into a guarantee fee agreement, pursuant to which the Borrower will pay the guarantee fee to the Company at 1% of the amount of guarantee per annum. On the same date, Mr. Tang and the Company entered into an indemnity agreement, pursuant to which Mr. Tang agrees and undertakes indemnify the Company against any liquidated damages, penalty claim and all other relevant expenses incurred by the Company arising from the guarantee agreements.

The fair value of these financial guarantees is approximately RMB232,000 at initial recognition based on the valuation performed by an independent professional valuer, BMI Appraisals Limited. During the year ended 31 December 2016, RMB74,000 has been amortised and is included in “other income”. At the end of the reporting period, an amount of RMB158,000 has been recognised as liabilities in the statement of financial position.

Notes to the Financial Statements

For the year ended 31 December 2016

25. COMMITMENTS

- a) The Company's contracted capital commitments outstanding as at 31 December 2016 and 2015 not provided for in the financial statements are as follows:

	2016 RMB'000	2015 RMB'000
Contracted but not provided for		
– Property, plant and equipment	500	553

- b) At 31 December 2016, the total future minimum lease payments under a non-cancellable operating lease are payable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	2,294	2,294
After 1 year but within 5 years	9,567	9,338
After 5 years	8,294	10,817
	20,155	22,449

The Company is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of 10 years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased every 5 years to reflect market rentals. None of the leases includes contingent rentals.

Notes to the Financial Statements

For the year ended 31 December 2016

26. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Company had the following transactions with related parties during the year:

a) **Key management personnel remuneration**

Remuneration for key management personnel of the Company represents amounts paid or payable to the Company's directors and supervisors as disclosed in note 12, are as follows:

	2016	2015
	RMB'000	RMB'000
Salaries and other short-term benefits	333	301
Contributions to defined contribution retirement plan	42	18
	375	319

Total remuneration is included in "Staff costs" (see note 6).

b) **Other related party transactions**

During the year ended 31 December 2016, the Company had provided guarantees amounting to RMB21,000,000 to a bank in connection with facilities granted to 浙江中發薄膜有限公司 (the "Borrower"). Further details of the financial guarantee liabilities are disclosed in note 24.

27. ULTIMATE CONTROLLING PARTY

The directors of the Company regard Mr. Tang Li Min and his family as the ultimate controlling party, through their direct shareholding in the Company.

Notes to the Financial Statements

For the year ended 31 December 2016

28. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	2016 RMB'000	2015 RMB'000
Financial assets		
Trade and other receivables	52,083	66,891
Cash and cash equivalents	52,135	41,102
	104,218	107,993
Financial liabilities		
Trade and other payables	18,680	15,557
Financial liabilities at amortised cost	18,680	15,557

b) Financial risk management and fair values of financial instruments

The Company has exposure to credit risk, liquidity risk, interest rate risk and currency risk arising from financial instruments. The Company's exposure to these risks and the financial risk management policies and practices used by the Company to manage these risks are described below.

i) Credit risk

- 1) Credit risk refers to the risk that a counterparty will default on its contractual only obligations resulting in financial loss to the Company and claims by counterparties under the financial guarantee issued by the Company. The Company has adopted a policy of merely dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults.
- 2) The Company's credit risk is primarily attributable to trade receivables. In order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Ongoing credit evaluations is performed on the financial condition of customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are usually due within 30 to 120 days from the date of billing. The Company does not obtain any collateral in respect of its customers.

Notes to the Financial Statements

For the year ended 31 December 2016

28. FINANCIAL INSTRUMENTS (Continued)

b) Financial risk management and fair values of financial instruments (Continued)

i) Credit risk (Continued)

- 3) In respect of trade receivables, the Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Company has a concentration of credit risk as 8% (2015: 5%) and 19% (2015: 11%) of the total trade and other receivables was due from the Company's largest customer and the five largest customers respectively.
- 4) In respect of other receivables, the Company has a concentration of credit risk as 48% (2015: 63%) of the total trade and other receivables was receivable from Yangxunqiao Town Government.
- 5) The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Except for the financial guarantee given by the Company as set out in note 24, the Company does not provide any other guarantees which would expose the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period are set out in note 24.

Further quantitative disclosures in respect of the Company's exposure to credit risk arising from trade and other receivables are set out in note 18.

ii) Liquidity risk

The Company is responsible for its own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demand, subject to board approval. The Company's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Notes to the Financial Statements

For the year ended 31 December 2016

28. FINANCIAL INSTRUMENTS (Continued)

b) Financial risk management and fair values of financial instruments (Continued)

ii) Liquidity risk (Continued)

The following table detailed the Company's remaining contractual maturities at the end of the reporting period of the Company's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates amount at the end of the reporting period) and the earliest date the Company can be required to pay.

As at 31 December 2016

	Within 1 year or on demand RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade and other payables	18,680	18,680	18,680

As at 31 December 2015

	Within 1 year or on demand RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade and other payables	15,557	15,557	15,557

The maximum amount that the Company could be forced to settle under the financial guarantee contract as disclosed in note 23, if the full guarantee amount is claimed by the counterparty to the guarantee, is RMB21,000,000. The earliest period that the guarantee could be called is within 1 year from the end of the reporting period.

Notes to the Financial Statements

*For the year ended 31 December 2016***28. FINANCIAL INSTRUMENTS** *(Continued)***b) Financial risk management and fair values of financial instruments** *(Continued)**iii) Interest rate risk*

The Company is exposed to cash flow interest rate risk in relation to the fluctuation of market interest rate on variable rate bank balances. The Company currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposures should the need arises.

The management considers that the cash flow interest rate risk arising from bank balances is insignificant having regard to the stable trend in interest rates and thus no material fluctuation is anticipated in the near future.

iv) Currency risk

Currently, there is no hedging policy with respect to the Company's foreign exchange exposure. The Company is exposed to currency risk primarily through sales which give rise to receivables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily United States dollars ("USD").

1) Exposure to currency risk

The following table details the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities that are denominated in a currency other than the functional currency of the Company.

Notes to the Financial Statements

For the year ended 31 December 2016

28. FINANCIAL INSTRUMENTS (Continued)

b) Financial risk management and fair values of financial instruments (Continued)

iv) Currency risk (Continued)

1) Exposure to currency risk (Continued)

	Exposure to foreign currencies (expressed in RMB)	
	2016 RMB'000	2015 RMB'000
Trade and other receivables – USD	12,876	9,599
Cash and cash equivalents – USD	65	–
Overall exposure to currency risk	12,941	9,599

2) Sensitivity analysis

At 31 December 2016, if USD had strengthened by 3% against RMB, loss for the year would have been decreased by RMB387,000 (2015: profit for the year would have been increased by RMB288,000) and retained profits as at 31 December 2016 would have been increased by RMB387,000 (2015: RMB288,000). If USD had weakened by 3% against RMB, loss for the year would have been increased by RMB387,000 (2015: profit for the year would have been decreased by RMB288,000) and retained profits as at 31 December 2016 would have been decreased by RMB387,000 (2015: decreased by RMB288,000).

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Company's exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next annual reporting period. Results of the analysis as presented in the above table represent the exposure to currency risk on the Company's profit after tax and total comprehensive loss measured in the respective currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2015.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure at the end of the reporting period does not reflect the exposure during the year.

v) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Company's financial instruments carried at cost or amortised costs are not materially different from their fair values because of the immediate or short term maturity of these financial instruments.

29. ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are addressed below.

i) *Depreciation of property, plant and equipment*

The Company performs annual review to assess the appropriateness of the estimated useful lives of the property, plant and equipment regularly after taking into account their estimated residual values, in order to determine the amount of depreciation expenses to be recognised. The useful lives are based on the Company's historical experience with similar assets and taking into account anticipated technological changes, business developments and the Company's strategies. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancement in technology. The Company extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

As at 31 December 2016, the carrying amount of property, plant and equipment is RMBNil (2015: RMB11,536,000).

ii) *Impairment of property, plant and equipment*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that assets may be impaired. The Company will review the estimated future cash flows of the assets regularly in order to determine whether impairment loss is required. An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

The sources utilised to identify indications of impairment are often subjective in nature and the Company is required to use judgement in applying such information to its business. The Company's interpretation of this information has a direct impact on whether impairment assessment is performed as at any given end of reporting period.

As at 31 December 2016, the carrying amount of property, plant and equipment is RMBNil (2015: RMB11,536,000).

Notes to the Financial Statements

For the year ended 31 December 2016

29. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

a) Critical accounting estimates and assumptions *(Continued)*

iii) *Write-down for obsolescence of inventories*

The Company determines the amount of inventories to be written down based on the market conditions and the historical experience on selling goods of similar nature. It could change significantly as a result of changes in market conditions.

As at 31 December 2016, the carrying amount of inventories is approximately RMB19,197,000 (2015: RMB19,949,000).

iv) *Impairment of receivables*

The Company evaluates whether there is any objective evidence that receivables are impaired, and determine the amount of impairment loss as a result of the inability of the debtors to make required payments. The Company bases the estimates on the ageing of the trade receivables balance, credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual impairment loss would be higher than estimate.

As at 31 December 2016, the carrying amounts of trade receivables (net of allowance for doubtful debts) and bills receivables are approximately RMB23,423,000 (2015: RMB21,955,000) and RMB3,272,000 (2015: RMB300,000), respectively.

v) *Income taxes and deferred taxation*

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The directors carefully evaluate tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

b) Critical accounting judgements in applying the Company's accounting policies

In determining the carrying amounts of certain assets and liabilities, the Company makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of each reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Company's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Company's accounting policies.

Notes to the Financial Statements

For the year ended 31 December 2016

30. POSSIBLE IMPACT OF NEW AND REVISED STANDARDS, AMENDMENTS OR INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ⁴
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
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 7	Disclosure Initiative ²
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2017

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 2019

The Company is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. As the Company has not completed its assessment, impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

Five Year Financial Summary

RESULTS

	For the year ended 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	62,036	69,095	82,301	80,114	100,219
(Loss)/profit for the year	(14,195)	45,912	(3,215)	(8,580)	(7,464)

ASSETS AND LIABILITIES

	As at 31 December				
	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Total assets	128,269	140,433	95,530	103,382	129,611
Total liabilities	(31,371)	(29,340)	(30,349)	(34,986)	(52,635)
Total equity	96,898	111,093	65,181	68,396	76,976

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2016 Annual General Meeting (the “AGM”) of Zhejiang Prospect Company Limited* (the “Company”) will be held at the conference room of the Company, Zhanwang Village, Yangxunqiao Town, Keqiao District, Shaoxing City, Zhejiang Province, the People’s Republic of China on Friday, 19 May 2017 at 2 p.m. for the following purposes:

1. To consider and approve the report of the board (the “Board”) of directors (the “Directors”) of the Company for the year ended 31 December 2016.
2. To consider and approve the audited financial statements and the report of the auditors of the Company for the year ended 31 December 2016.
3. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2016.
4. To consider and approve the remuneration proposals for the Directors and supervisors of the Company (the “Supervisors”) for the financial year ended 31 December 2017.
5. To consider and approve the election of Mr. Tang Jing Qi as a non-executive Director and the proposed remuneration and contractual term of his appointment.
6. To re-elect the following retiring Directors and approve the proposed remuneration and contractual terms of the concerned Directors:-
 - (a) Mr. Fei Guo Yang as an executive Director;
 - (b) Mr. Hong Guo Ding as an executive Director;
 - (c) Mr. Tang Cheng Fang as a non-executive Director;
 - (d) Mr. Ma Hong Ming as an independent non-executive Director;
 - (e) Mr. Wang He Rong as an independent non-executive Director; and
 - (f) Mr. Lu Guo Qing as an independent non-executive Director.

Notice of Annual General Meeting

7. To re-elect the following retiring Supervisors and approve the proposed remuneration and contractual terms of the concerned Supervisors:-
 - (a) Mr. Feng Yun Lin as a Supervisor;
 - (b) Mr. Wang Zhong as an independent Supervisor; and
 - (c) Ms. Wang Ye Gang as an independent Supervisor.
8. To consider and approve the re-appointment of Crowe Horwath (HK) CPA Limited as the Company's auditors and to authorize the Board to fix their remuneration.

By Order of the Board
Zhejiang Prospect Company Limited*
Mr. Fei Guo Yang
Chairman

Zhejiang Province, the People's Republic of China
28 March 2017

Notes:

1. Any shareholder of the Company entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote on his behalf at the AGM in accordance with the articles of association of the Company. A proxy needs not be a shareholder of the Company.
2. In order to be valid, the proxy form, under which it is signed, must be deposited by hand or post, for holders of H shares of the Company at the H shares registrar of the Company at Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and, for holders of domestic shares of the Company, to the legal address of the Company (Zhanwang Village, Yangxunqiao Town, Keqiao District, Shaoxing City, Zhejiang Province, the PRC) not less than 24 hours before the time for holding the AGM or not less than 24 hours before the time appointed for taking the poll. If the proxy form is signed by a power of attorney or other authority, a notorially certified copy of that power of attorney or authority shall be deposited at the same time.
3. Shareholders of the Company or their proxies shall produce their identity documents when attending the AGM.
4. The H Share register of members of the Company will be closed from Tuesday, 18 April 2017 to Friday, 19 May 2017 (both dates inclusive), during which no transfer of H shares will be registered. In order to qualify for attending the AGM, unregistered holders of H shares of the Company should ensure that all transfers of H shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the H shares registrar of the Company at Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30p.m. on Thursday, 13 April 2017.
5. Holders of domestic shares and H shares whose names stand on the register of members of the Company at the close of business on Thursday, 13 April 2017 are entitled to attend and vote at the AGM.

Notice of Annual General Meeting

6. Shareholders of the Company who intend to attend the AGM should complete and lodge the reply slip at the Company's legal address (Zhanwang Village, Yangxunqiao Town, Keqiao District, Shaoxing City, Zhejiang Province, the PRC) on or before Friday, 28 April 2017. The reply slip can be delivered in person or by mail.
7. The AGM is expected not to last for more than half a day. Attendants shall bear their own travelling and accommodation expenses.
8. To propose ordinary resolutions in respect of the election of Mr. Tang Jing Qi as non-executive Director and the re-election of Mr. Fei Guo Yang (executive Director), Mr. Hong Guo Ding (executive Director), Mr. Tang Cheng Fang (non-executive Director), Mr. Ma Hong Ming (independent non-executive Director), Mr. Wang He Rong (independent non-executive Director) and Mr. Lu Guo Qing (independent non-executive Director) as Directors and Mr. Feng Yun Lin (Supervisor), Mr. Wang Zhong (independent Supervisor) and Mr. Wang Ye Gang (independent Supervisor) as Supervisors. The bibliographical profiles of the above Directors and Supervisors are set out below in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Growth Enterprises Market (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), so that the shareholders of the Company can make informed decisions regarding the election/re-election of the above retiring Directors and Supervisors:

Mr. Tang Jing Qi

Mr. Tang Jing Qi (唐靖淇), aged 22, is vice general manager of Hangzhou Ruixian Investment Management Company Limited* (杭州瑞賢投資管理有限公司) since August 2014. He worked as assistant general manager of Lvpeng (Shanghai) Industries Co., Limited* (綠朋(上海)實業有限公司) from September 2012 to August 2014. Mr. Tang is currently a legal representative of Zhejiang Puxing Automobile Services Company Limited* (浙江普興汽車服務有限公司). He obtained a vocational technical school certificate majoring in art painting from Hangzhou Vocational School for Arts* (杭州市美術職業學校) in July 2012. Mr. Tang is the son of Mr. Tang Li Ming, the controlling shareholder of the Company and the younger brother of Ms. Tang Jing Jing, a non-executive Director.

Save as disclosed, Mr. Tang has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Should Mr. Tang be successfully elected, the Company will enter into a service contract with him for three years (with early termination provisions). Mr. Tang will not receive any remuneration in relation to his service as director of the Company. As at the date of this notice of AGM, Mr. Tang beneficially owned 4,466,667 domestic shares of the Company, representing approximately 5.83% of the total registered share capital of the Company. Save as disclosed above, Mr. Tang is not interested in any shares and underlying shares of the Company within the meaning of SFO. Save as disclosed above, Mr. Tang is not connected with any of the Directors, Supervisors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed herein, there is no other information relating to Mr. Tang that is recognised to be disclosed pursuant to any of the requirements of paragraphs 17.50(2)(h) to (v) of the GEM Listing Rules, and there are no other matters relating to his election that need to be brought to the attention of the shareholders of the Company.

Notice of Annual General Meeting

Mr. Fei Guo Yang, executive Director

Mr. Fei Guo Yang (費國揚先生), aged 46, is the chairman of the Company and an executive Director. He is responsible for the production and sales of the Company. From June 1991 to November 1994, he was the workshop head of Shaoxing Zhanwang Knitting Factory* (紹興縣展望針織廠); from December 1994 to December 2002, he was the head of general office of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司); and from January 2000 to February 2002, he became the deputy general manager of Shaoxing Prospect Universal Joint Company Limited* (紹興展望萬向節有限公司), the predecessor of the Company. From March 2002 onwards, he has been the general manager of the Company. He completed his vocational education in finance and accounting at Shaoxing Broadcasting and Television Vocational School (紹興市廣播電視中等專業學校) in 1997. He has been attending courses of economics and management at Huazhong University of Science & Technology (華中科技大學). He has over 10 years of working experience in production and sales. He joined Shaoxing Prospect Universal Joint Company Limited* (紹興展望萬向節有限公司), the predecessor of the Company, at the time of its establishment in 1995 as a supervisor and was appointed as a Director in 2000. He was appointed as the chairman of the Company in February 2015.

Save as disclosed, Mr. Fei has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Should Mr. Fei be successfully re-elected, the Company will enter into a director's service contract with him for three years (with early termination provisions). For the year ended 31 December 2016, he is entitled to receive RMB122,000 annually for his service, which is determined with reference to the Company's performance and profitability as well as the remuneration level within the industry and prevailing market condition. As at the date of this notice of AGM, Mr. Fei beneficially owns 1,072,000 domestic shares of the Company, representing approximately 1.4% of the total registered share capital of the Company. Save as disclosed above, Mr. Fei is not interested in any shares and underlying shares of the Company within the meaning of Part XV of the Securities Financial Ordinance ("SFO"). Mr. Fei is not connected with any of the Directors, Supervisors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed herein, there is no other information relating to Mr. Fei that is recognised to be disclosed pursuant to any of the requirements of paragraphs 17.50(2)(h) to (v) of the GEM Listing Rules, and there are no other matters relating to his re-election that need to be brought to the attention of the shareholders of the Company.

Mr. Hong Guo Ding, executive Director

Mr. Hong Guo Ding (洪國定先生), aged 53, is the managing Director, executive Director and compliance officer of the Company. He is responsible for the administration and finance of the Company. From February 1991 to December 1992, he was the deputy head of Shaoxing Zhanwang Knitting Factory* (紹興縣展望針織廠); from January 1993 to January 1995, he was the deputy general manager of Shaoxing Prospect Industrial Company Limited* (紹興縣展望實業有限公司) and factory head of Shaoxing Huqiao Garment Factory* (紹興縣滬橋製衣廠); and from February 1995 to August 1999, he was the deputy general manager of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司). From September 2000 onwards, he has been the general manager of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司). He completed his tertiary education in administration and management at Hangzhou University (杭州大學) in 1996. He was accredited as "Economist" by the Personnel Bureau of Shaoxing County (紹興縣人事局) in July 1998. He has over 20 years of experience in corporate administrative management. He joined Shaoxing Prospect Universal Joint Company Limited* (紹興展望萬向節有限公司), the predecessor of the Company, at the time of its establishment in 1995 as a supervisor and was appointed as a Director in 2000.

Save as disclosed, Mr. Hong has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Notice of Annual General Meeting

Should Mr. Hong be successfully re-elected, the Company will enter into a director's service contract with him for three years (with early termination provisions). For the year ended 31 December 2016, he does not receive any remuneration in relation to his service as director of the Company. As at the date of this notice of AGM, Mr. Hong beneficially owns 3,216,000 domestic shares of the Company, representing approximately 4.2% of the total registered share capital of the Company. Save as disclosed above, Mr. Hong is not interested in any shares and underlying shares of the Company within the meaning of Part XV of the SFO. Mr. Hong is not connected with any of the Directors, Supervisors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed herein, there is no other information relating to Mr. Hong that is recognised to be disclosed pursuant to any of the requirements of paragraphs 17.50(2)(h) to (v) of the GEM Listing Rules, and there are no other matters relating to his re-election that need to be brought to the attention of the shareholders of the Company.

Mr. Tang Cheng Fang, non-executive Director

Mr. Tang Cheng Fang (唐成芳先生), aged 52, a non-executive Director. From January 1991 to June 1992, he was in charge of the accounting division of Shaoxing Zhanwang Knitting Factory* (紹興縣展望針織廠); from July 1992 to July 1995, he served as the chief accountant of Shaoxing Prospect Industrial Company Limited* (紹興縣展望實業有限公司); and from August 1995 to April 2001, he served as the finance manager of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司). From May 2001 to May 2008, he was the general manager of Zhejiang Prospect New Synthetic Fibre Company Limited* (浙江展望新合纖有限公司). He completed his tertiary education in economics and management at Zhejiang University of Technology (浙江工業大學) in 1998. He was qualified as an assistant accountant in March 1999 and has over 11 years of experience in corporate finance and accounting. He joined Shaoxing Prospect Universal Joint Company Limited* (紹興展望萬向節有限公司), the predecessor of the Company, at the time of its establishment in 1995 as a supervisor and was appointed as a Director in 2000.

Save as disclosed, Mr. Tang has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Should Mr. Tang be successfully re-elected, the Company will enter into a service contract with him for three years (with early termination provisions). For the year ended 31 December 2016, he does not receive any remuneration in relation to his service as director of the Company. As at the date of this notice of AGM, Mr. Tang beneficially owned 2,680,000 domestic shares of the Company, representing approximately 3.5% of the total registered share capital of the Company. Save as disclosed above, Mr. Tang is not interested in any shares and underlying shares of the Company within the meaning of SFO. Mr. Tang is not connected with any of the Directors, Supervisors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed herein, there is no other information relating to Mr. Tang that is recognised to be disclosed pursuant to any of the requirements of paragraphs 17.50(2)(h) to (v) of the GEM Listing Rules, and there are no other matters relating to his re-election that need to be brought to the attention of the shareholders of the Company.

Mr. Ma Hong Ming, independent non-executive Director

Mr. Ma Hong Ming (馬洪明先生), aged 54, is an independent non-executive Director. He is the principal of Shaoxing Zhong Xing Accounting Firm* (紹興中興會計師事務所). He obtained his master degree in management from Shanghai Financial and Economic Studies University* (上海財經大學管理學碩士學位). From December 1981 to March 1992, he worked for Shaoxing Xing Hong Chemical Fibre Company Limited* (紹興興虹化纖公司) as finance manager; from March 1992 to December 1999, he was the assistant principal of Shaoxing County Audit Firm* (紹興縣審計事務所); and from January 2000 onwards, he served as the principal of Shaoxing Zhong Xing Accounting Firm* (紹興中興會計師事務所). He is the general manager of Shaoxing Zhong Xing Assets Valuation Company* (紹興中興資產評估公司) and Shaoxing Zhong Xing Tax Consultants* (紹興中興稅務師事務所). He was an independent director of Zhejiang Jing Gong Technology Company Limited* (浙江精功科技股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange. He has been appointed as an independent non-executive Director since March 2004.

Notice of Annual General Meeting

Save as disclosed, Mr. Ma has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Should Mr. Ma be successfully re-elected, the Company will enter into a director's service contract with him for three years (with early termination provisions). For the year ended 31 December 2016, he is entitled to receive RMB30,000 annually, which is determined with reference to the Company's performance and profitability as well as the remuneration level within the industry and prevailing market condition. Mr. Ma is not interested in any shares and underlying shares of the Company within the meaning of Part XV of the SFO. Mr. Ma is not connected with any of the Directors, Supervisors, senior management or substantial or controlling shareholders of the Company.

Although Mr. Ma has been serving as an independent non-executive Director for more than nine years, the Board considers that Mr. Ma is a person of integrity and independent in judgement and character. He is independent of management and free from any business or other relationships or circumstances which could materially interfere with the exercise of his independent judgement. The Board considers that Mr. Ma meets the independent guidelines set out in Rule 5.09 of the GEM Listing Rules, and is of the view that his independence is not affected by his long service with the Company. Hence, the Board considered Mr. Ma as independent and should be re-elected at the AGM.

Save as disclosed herein, there is no other information relating to Mr. Ma that is required to be disclosed pursuant to any of the requirements of paragraphs 17.50(2)(h) to (v) of the GEM Listing Rules, and there is no other matters relating to his re-election that need to be brought to the attention of the shareholders of the Company.

Mr. Wang He Rong, independent non-executive Director

Mr. Wang He Rong (王和榮先生), aged 56, a senior accountant, is an independent non-executive Director. From April 1994 to January 2000, he worked for Shaoxing Hongtai Certified Public Accountants* (紹興宏泰會計師事務所). From February 2000 onwards, he has been the chief accountant of Shaoxing Hongtai Certified Public Accountants* (紹興宏泰會計師事務所). He completed his tertiary education in economics and management at Zhejiang China's Communist Party School Distance Learning College* (中共浙江省委黨校函授學院). He was appointed as an independent non-executive Director in January 2004.

Save as disclosed, Mr. Wang has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Should Mr. Wang be successfully re-elected, the Company will enter into a service contract with him for three years (with early termination provisions). For the year ended 31 December 2016, he is entitled to receive RMB30,000 annually, which is determined with reference to the Company's performance and profitability as well as the remuneration level within the industry and prevailing market condition. Mr. Wang is not interested in any shares and underlying shares of the Company within the meaning of SFO. Mr. Wang is not connected with any of the Directors, Supervisors, senior management or substantial or controlling shareholders of the Company.

Although Mr. Wang has been serving as an independent non-executive Director for more than nine years, the Board considers that Mr. Wang is a person of integrity and independent in judgement and character. He is independent of management and free from any business or other relationships or circumstances which could materially interfere with the exercise of his independent judgement. The Board considers that Mr. Wang meets the independent guidelines set out in Rule 5.09 of the GEM Listing Rules, and is of the view that his independence is not affected by his long service with the Company. Hence, the Board considered Mr. Wang as independent and should be re-elected at the AGM.

Save as disclosed above, there are no other matters relating to the re-election of Mr. Wang as an independent non-executive Director that need to be brought to the attention of the shareholders of the Company and there is no other information that should be disclosed pursuant to paragraphs 17.50(2)(h) to (v) of the GEM Listing Rules.

Notice of Annual General Meeting

Mr. Lu Guo Qing, independent non-executive Director

Mr. Lu Guo Qing (陸國慶先生), aged 52, is an independent non-executive Director. In 1986, he graduated from the Hangzhou University (杭州大學) with a bachelor's degree in law. He is PRC qualified attorney to practise securities law in the PRC. From 1988 to 1998, he practised law at Zhejiang Guoda Law Firm* (浙江國大律師事務所) (formerly known as Zhejiang Shaoxing County Law Firm* (浙江紹興市律師事務所)) as its deputy head and later its head. He is currently a partner of Zhejiang Zhong Fa Da Law Firm* (浙江中法大律師事務所). He was appointed as an independent non-executive Director in January 2004.

Save as disclosed, Mr. Lu has not held any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Should Mr. Lu be successfully re-elected, the Company will enter into a service contract with him for three years (with early termination provisions). For the year ended 31 December 2016, he is entitled to receive RMB30,000 annually, which is determined with reference to the Company's performance and profitability as well as the remuneration level within the industry and prevailing market condition. Mr. Lu is not interested in any shares and underlying shares of the Company within the meaning of SFO. Mr. Lu is not connected with any of the Directors, Supervisors, senior management or substantial or controlling shareholders of the Company.

Although Mr. Lu has been serving as an independent non-executive Director for more than nine years, the Board considers that Mr. Lu is a person of integrity and independent in judgement and character. He is independent of management and free from any business or other relationships or circumstances which could materially interfere with the exercise of his independent judgement. The Board considers that Mr. Lu meets the independent guidelines set out in Rule 5.09 of the GEM Listing Rules, and is of the view that his independence is not affected by his long service with the Company. Hence, the Board considered Mr. Lu as independent and should be re-elected at the AGM.

Save as disclosed above, there are no other matters relating to the re-election of Mr. Lu as an independent non-executive Director that need to be brought to the attention of the shareholders of the Company and there is no other information that should be disclosed pursuant to paragraphs 17.50(2)(h) to (v) of the GEM Listing Rules.

Mr. Feng Yun Lin, Supervisor

Mr. Feng Yun Lin (馮雲林先生), aged 59, is a Supervisor. From April 1991 to May 1995, he was the deputy general manager of Shaoxing Zhanwang Wool Sweater Factory* (紹興展望羊毛衫廠); and from July 1996 to August 2000, he was the deputy general manager of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司). From September 2000 onwards, he has been the head of the Village Committee of Zhanwang Village, Yangxunqiao Town, Shaoxing County* (紹興縣楊汛橋鎮展望村村民委員會). He was appointed as a Supervisor in August 2002.

Save as disclosed, Mr. Feng has not held any directorship in the other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Should Mr. Feng be successfully re-elected, the Company will enter into a service contract with him for three years (with early termination provisions). For the year ended 31 December 2016, he does not receive any remuneration in relation to his service as supervisor of the Company. As at the date of this notice of AGM, Mr. Feng beneficially owned 1,072,000 domestic shares of the Company, representing approximately 1.4% of the total registered share capital of the Company. Save as disclosed above, Mr. Feng is not interested in any shares and underlying shares of the Company within the meaning of SFO. Mr. Feng is not connected with any of the Directors, Supervisors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed above, there are no other matters relating to the re-election of Mr. Feng as a Supervisor that need to be brought to the attention of the shareholders of the Company and there is no other information that should be disclosed pursuant to paragraphs 17.50(2)(h) to (v) of the GEM Listing Rules.

Notice of Annual General Meeting

Mr. Wang Zhong, independent Supervisor

Mr. Wang Zhong (王眾先生), aged 49, is an independent Supervisor. He is responsible for supervising the Board, managers and other senior officers of the Company and reporting directly to the shareholders in general meeting of the Company. He is a practising attorney in the PRC. He is currently a deputy head (operations) of the Shanghai Branch of Beijing Jingdu Law Firm* (北京市京都律師事務所). Mr. Wang Zhong is a member of the law society in the PRC. In 2002, he attended training sessions for independent directors of listed companies held by China Securities Regulatory Commission and Fudan University. He was appointed as an independent supervisor in March 2003.

Save as disclosed, Mr. Wang has not held any directorship in the other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Should Mr. Wang be successfully re-elected, the Company will enter into a service contract with him for three years (with early termination provisions). For the year ended 31 December 2016, he does not receive any remuneration in relation to his service as supervisor of the Company. Mr. Wang is not interested in any shares and underlying shares of the Company within the meaning of SFO. Mr. Wang is not connected with any of the Directors, Supervisors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed above, there are no other matters relating to the re-election of Mr. Wang as an independent Supervisor that need to be brought to the attention of the shareholders of the Company and there is no other information that should be disclosed pursuant to paragraphs 17.50(2)(h) to (v) of the GEM Listing Rules.

Mr. Wang Ye Gang, independent Supervisor

Mr. Wang Ye Gang (王葉剛先生), aged 48, is an independent Supervisor. He is responsible for supervising the Board, managers and other senior officers of the Company and reporting directly to shareholders in general meeting of the Company. He obtained a master degree in business administration from Zhejiang University (浙江大學). He is currently a general manager of Zhejiang Botong Venture Capital Company Limited* (浙江博通創業投資有限公司). He was appointed as an independent supervisor in March 2003.

Save as disclosed, Mr. Wang has not held any directorship in the other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Should Mr. Wang be successfully re-elected, the Company will enter into a service contract with him for three years (with early termination provisions). For the year ended 31 December 2016, he does not receive any remuneration in relation to his service as supervisor of the Company. Mr. Wang is not interested in any shares and underlying shares of the Company within the meaning of SFO. Mr. Wang is not connected with any of the Directors, Supervisors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed above, there are no other matters relating to the re-election of Mr. Wang as an independent Supervisor that need to be brought to the attention of the shareholders of the Company and there is no other information that should be disclosed pursuant to paragraphs 17.50(2)(h) to (v) of the GEM Listing Rules.

9. Poll

Pursuant to Rule 17.47(4) of the GEM Listing Rules, save for certain procedural or administrative matter to be decided by the chairmen of the general meetings, all votes of the shareholders at the general meetings must be taken by poll. The chairman of the AGM will therefore demand a poll for every resolution put to the vote at the AGM pursuant to Article 78 of the articles of association of the Company.