Huazhong In-Vehicle Holdings Company Limited
華眾車載控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code: 6830

Annual Report 2016

CONTENTS

COMPANY PROFILE

Huazhong In-Vehicle Holdings Company Limited (the "Company'' or "Huazhong Holdings") and its subsidiaries (together the "Group") are one of the principal suppliers of automobile body parts in China.

Vertical integration of business operation enables the Group to offer one-stop total solution to customers, from the design and manufacture of moulds and tooling for mass production of specific products to the development and manufacture of new products which meet customers' functional requirements and specifications.

With an extensive product range, strong product development and production capabilities and refined manufacturing and tooling techniques, the Group has maintained long-term business relationships with both multinational automakers and well-established automakers and suppliers for automakers in China.

The Group's network of production bases at strategic locations also contributes to such stable customer relationships. Headquartered in Ningbo, the Group has in total 17 factories, amongst which 16 factories operating in different regions in China to cover major automakers in China. As at 31 December 2016, the Group, together with its joint ventures, had manufacturing facilities in Ningbo, Changchun, Shanghai, Chongqing, Yantai, Foshan, Wuhu, Guangzhou, Chengdu and Xinxiang. In addition, in 2012, a moulding factory was established through acquisition in Germany with a view to assist the Group in enhancing and upgrading its production techniques and upgrade manufacturing equipment, while expanding to the overseas market.

On behalf of the board (the "Board") of directors (the "Directors") of the Company and all of our staff, I hereby present to the shareholders of the Company (the "Shareholders") the annual results of the Group for the year ended 31 December 2016 (the "Year").

Given the complex global economic conditions, 2016 has been a challenging year for the Company. Total revenue increased to RMB1.74 billion from RMB1.64 billion in 2015. Gross profit increased by 20.9% year-on-year to RMB478.7 million (2015: RMB396.1 million). Profit attributable to equity shareholders increased by 51.2% year-on-year to RMB104.9 million (2015: RMB69.4 million).

The Group adhered to the strategy of striving for progress while maintaining stability, expedited the transformation and upgrading of industrial structure, and overcame obstacles through effective measures. With the unremitting efforts of all the staff and the new production plants which were completed and put into operation by the Group, productivity was effectively enhanced. In addition to various measures to increase market share and uplift profitability, the Group vigorously implemented stringent costs control, fortified the overall business competitiveness, strengthened research and development capabilities and kept track of the latest trend of technology. At the same time, actions were also taken to identify favorable acquisition opportunities, so as to increase market share, enhance business expansion capabilities and diversify revenue streams.

Finally, on behalf of the Board, I would like to express my sincere gratitude to our management and staff for their outstanding performance over the year, as their contribution was the key to the Group's success. I would also like to take this opportunity to cordially thank all shareholders, customers and business partners for their support and assistance.

Zhou Minfeng
Chairman

Hong Kong, 30 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Continuing the trend from 2015, the automobile industry has recorded another year of stable growth in 2016. According to the statistics from China Association of Automobile Manufacturers (CAAM), over 28.1 million vehicles were manufactured and over 28.0 million vehicles were sold in 2016, representing a growth of 14.5% and 13.7%, respectively, from the previous year. In terms of sales and manufacturing volumes, China has again ranked number one in the world for another year.

In 2016, the sales volume of the top 10 automobile manufacturers reached approximately 24.8 million units, accounting for 88.3% (2015: 89.5%) of the overall vehicle sales in China, representing a decrease of 1.2 percentage points. As a tier-one supplier with scalable production capacity and strong research and development ("R&D") capability, the Group has established long-term business relationships with these leading players in the market. Out of the top 10 automobile manufacturers, the Group has established business relationships with 6 of them, namely SAIC Motor, FAW Volkswagen, Chang'an Automobile, BAIC Motor, GAC Group and Chery. The solid partnership with industry leaders has provided a strong foothold for the Group to capture the growth of the automobile industry.

Business Review

The Group offers one-stop solution to its customers, from the design and manufacture of moulds and tooling for mass production of specific products to the development and manufacture of new products which meet its customers' functional requirements and specifications.

The Group offers a wide range of automobile body parts, including internal and external structural and decorative parts (such as front/rear bumper, front-end carrier, dashboard, ABCD-pillars, air inlet grille and rocker panel), air conditioning unit casings and liquid tanks through our subsidiaries and jointly controlled entities. We also manufacture fabric used for ABCD-pillar and headliner for automobile through one of our jointly controlled entities.

The Group also produces moulds and tooling for our manufacturing arm, with the ability to produce moulds and tooling for complex or large-size automobile body parts such as bumper and front-end carrier. Apart from automobile-related products, the Group also manufactures other products such as top cowl cover for engine of motorboat and office chair parts.

In 2016, the Group faced with continuously increasing production costs. As such, the Group rigorously enforced the implementation of cost controls, improved staff quality and strengthened administrative efficiency internally. Externally, the Group strived to fortify the long-term cooperation with customers, develop new market opportunities, maintain sound business operation capability, consolidate the Group's resources and improve market competitiveness. These actions successfully helped the Group in achieving the annual targets, and laid the foundation for its sustainable operation in the future.

For the Year, the Group's revenue was approximately RMB1.74 billion, representing an increase of approximately 6.3% as compared to approximately RMB1.64 billion in 2015. Profit attributable to the owners of the parent for the Year was approximately RMB104.9 million, representing an increase of approximately 51.2% as compared to approximately RMB69.4 million in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Operations Analysis

The Board believes that the Group's achievements are attributable to the following aspects:

- The Group provides one-stop product development and manufacturing solutions to customers. This vertically integrated service has enabled the Group to improve production efficiency, shorten the roll-out time for new products, stringently control production cost and quality throughout the whole production process and strengthen its business relationships with customers.

- The Group has strong R&D capacity to develop new products with customers simultaneously. This enables the Group to establish close relationships with its major customers and deepen its understanding of the customers' needs.

- The Group established production bases that are located close to the production bases of most of the key automakers in China. The geographic proximity advantage enables the Group to provide services to its customers in a timely manner, strengthen its relationships with these customers and reduce transportation costs, and thereby further enhancing its competitiveness.

- The Group maintains long-term business relationships with both domestic and multinational automakers, while rigorously engaging new customers.

- The Group is equipped with strong production capabilities and refined manufacturing technology. The Group has adopted the most advanced technologies and production equipment in this industry.

- The Group has an experienced management team with deep knowledge and understanding of the automobile body parts industry.

- The Group monitors its product quality in a stringent manner. It implements sophisticated quality monitoring procedures to select and examine raw materials, semi-finished and finished products to ensure a high standard of quality.

Financial Review

Revenue

The revenue of the Group was primarily derived from five categories of products:

(i) automotive interior and exterior structural and decorative parts;

(ii) moulds and tooling;

(iii) casings and liquid tanks of air conditioners and heaters;

(iv) non-automobile products; and

(v) sale of raw materials.

	2016		2015	
		Gross profit		Gross profit
	Revenue	Margin	Revenue	Margin
	RMB'000	%	RMB'000	%
Automotive interior and exterior structural and decorative parts	**1,233,256**	**30.6**	1,179,085	28.4
Moulds and tooling	**180,763**	**21.5**	136,920	0.3
Casings and liquid tanks of air conditioners and heaters	**185,425**	**23.4**	191,007	19.3
Non-automobile products	**69,275**	**22.6**	65,305	32.4
Sale of raw materials	**70,172**	**5.0**	63,248	5.0
Total	**1,738,891**	**27.5**	1,635,565	24.2

For the Year, the total revenue generated from automotive interior and exterior structural and decorative parts was approximately RMB1,233,256,000 (2015: RMB1,179,085,000), accounting for 70.9% of the Group's total revenue for the Year (2015: 72.1%). The increase was primarily because of the expansion of new markets and new customers during the Year. Gross profit margin increased from approximately 28.4% in 2015 to approximately 30.6% in 2016, primarily due to improved operating efficiency and implementation of stringent cost control.

For the Year, revenue from moulds and tooling was approximately RMB180,763,000 (2015: RMB136,920,000), accounting for approximately 10.4% of the Group's total revenue for the Year (2015: 8.4%). A gross profit margin of approximately 21.5% was recorded in the Year mainly due to reducing high cost outsourcing processes during the Year.

For the Year, revenue from casings and liquid tanks of air conditioners and heaters was approximately RMB185,425,000 (2015: RMB191,007,000), accounting for approximately 10.7% of the Group's total revenue for the Year (2015: 11.7%). Gross profit margin increased from approximately 19.3% in 2015 to approximately 23.4% in the Year.

For the Year, revenue from non-automobile products was approximately RMB69,275,000 (2015: RMB65,305,000), accounting for approximately 4.0% of the Group's total revenue for the Year (2015: 4.0%). Gross profit margin decreased from approximately 32.4% in 2015 to approximately 22.6% in the Year.

For the Year, revenue from sale of raw materials was approximately RMB70,172,000 (2015: RMB63,248,000), accounting for approximately 4.0% of the Group's total revenue for the Year (2015: 3.9%). Gross profit margin remained stable at approximately 5.0% during the Year.

Other Income and Gains

Other income and gains of the Group for the Year amounted to approximately RMB22,847,000 (2015: RMB12,254,000). The increase was mainly attributable to gain on disposal of items of property, plant and equipment.

Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures

During the year ended 31 December 2016, the Group had no material acquisition or disposal of subsidiaries, associates or ventures.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the Year amounted to approximately RMB117,418,000 (2015: RMB94,348,000). The proportion of selling and distribution expenses in sales revenue for the Year was around 6.8% (2015: 5.8%). The increase was mainly attributable to the increase in transportation expenses and warehousing expenses.

Administrative Expenses

The Group's administrative expenses for the Year amounted to approximately RMB198,454,000, representing an increase of approximately 12.1% as compared to approximately RMB177,006,000 in 2015. The increase was mainly attributable to (i) the increase in employees expenses; and (ii) increase in research and development expenses.

Share of Profits and Losses of Joint Ventures

During the Year, the Group recorded approximately RMB14,377,000 of the share of profits of joint ventures as compared to the share of profits of approximately RMB1,785,000 for 2015. The increase in the share of profits during the Year was attributable to the reduce of loss from one of its joint ventures, Changchun Huaxiang Faurecia Automotive Plastic Components Co., Ltd..

Finance Income

The Group's finance income increased by approximately 32.2% from approximately RMB7,824,000 in 2015 to approximately RMB10,345,000 in the Year.

Finance Costs

The Group's finance costs increased from approximately RMB41,731,000 in 2015 to approximately RMB47,296,000 in the Year, representing an increase of approximately 13.3%, which was attributable to increase of average bank borrowing balance during the Year.

Taxes

The Group's tax expenses increased by approximately 41.1% from approximately RMB29,745,000 in 2015 to approximately RMB41,957,000 in the Year. The increase was mainly attributable to the increase in taxable profits during the Year.

Liquidity and Financial Resources

For the Year, the net cash generated from operating activities was approximately RMB179,357,000 (2015: RMB78,575,000). The cash generated from operating activities was mainly from the profits during the Year.

The net cash used in investing activities was approximately RMB110,496,000 (2015: RMB219,917,000). The net cash used in financing activities was approximately RMB77,275,000 (2015: net cash generated from financing activities RMB91,059,000). The net cash used in investing activities was mainly for the purchase of property, plant and equipment. The net cash used in financing activities was mainly due to the repayment of bank loans.

As a result of the above-mentioned comprehensive factors, the net cash outflow of the Group was approximately RMB10,515,000 (2015: net cash outflow RMB50,283,000).

As at 31 December 2016, the cash and cash equivalents of the Group (including cash and bank deposits) was approximately RMB187,987,000 (31 December 2015: RMB200,607,000).

As at 31 December 2016, the interest-bearing bank borrowings of the Group was approximately RMB791,720,000 (31 December 2015: RMB797,512,000) of which approximately RMB21,573,748 (equivalent to EUR2,952,558) and RMB118,146,497 (equivalent to USD17,000,000) were borrowed in EURO and USD, respectively, and approximately RMB509,388,000 were due within one year. Effective interest rate ranges from 2.20% to 6.89%. Amongst the bank borrowings, RMB134,142,776 were borrowed at floating interest rate, representing 16.9% of total borrowings (83.1% of total borrowings at fixed interest rate).

The Board expects that the bank loans would either be settled by fund from internal resources or rolled over as it was due. All principal banks will continue to provide fund to the Group for its business operation.

Contingent Liabilities

As at 31 December 2016, the Group had no significant contingent liabilities.

Capital Commitments

As at 31 December 2016, the Group had capital commitments amounting to approximately RMB208,619,000 (31 December 2015: RMB278,807,000) mainly including commitment for purchasing property, plant, and equipment.

Foreign Exchange Exposure

The sales and purchases of the Group were mainly denominated in RMB and Euro. The cash and cash equivalents of the Group were mainly denominated in RMB, Hong Kong dollars and Euro. The borrowings are denominated in RMB, Euro and USD. Since the Group's exposure to fluctuations in foreign exchange rates was minimal, the Group has not implemented any foreign currency hedging policy at the moment. However, the management will closely monitor the foreign exchange exposure of the Group and will consider hedging the foreign exchange exposure if it becomes significant to the Group.

Pledge of Assets

As at 31 December 2016, the Group's assets of approximately RMB95,765,000 (2015: RMB223,622,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book value of the pledged assets is set out below:

	2016 RMB'000	2015 RMB'000
Property, plant and equipment	**10,655**	63,934
Investment properties	**2,632**	3,006
Prepaid land lease payments	**45,158**	68,481
Notes receivables	**—**	65,181
Pledged deposits	**37,320**	23,020
Total	**95,765**	223,622

As at 31 December 2016, pledged deposits with book value of approximately RMB50,196,000 (2015: RMB79,054,000) were used as security to provide guarantee for the issue of notes payable.

Significant Investments

During the year ended 31 December 216, the Group did not have any significant investments.

Gearing Ratio

As at 31 December 2016, the Group's gearing ratio was approximately 67.9%, which was close to the gearing ratio of approximately 69.8% as at 31 December 2015. The gearing ratio is derived by dividing net liabilities (including interest-bearing bank borrowings, trade and notes payables, other payables and accruals, and payables to related parties and the ultimate controlling shareholder less cash and cash equivalents) by total capital (including equity attributable to owners of the parent company) plus net liabilities at the end of the respective years.

Employees and Remuneration Policies

The Group had a total of 3,166 (2015: 2,691) employees as at 31 December 2016. Total staff costs of the Group (excluding directors' and chief executive's remuneration) for the Year was approximately RMB209,678,000 (2015: approximately RMB190,692,000). The increase was mainly attributable to the increase of number of employees. The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

Prospect

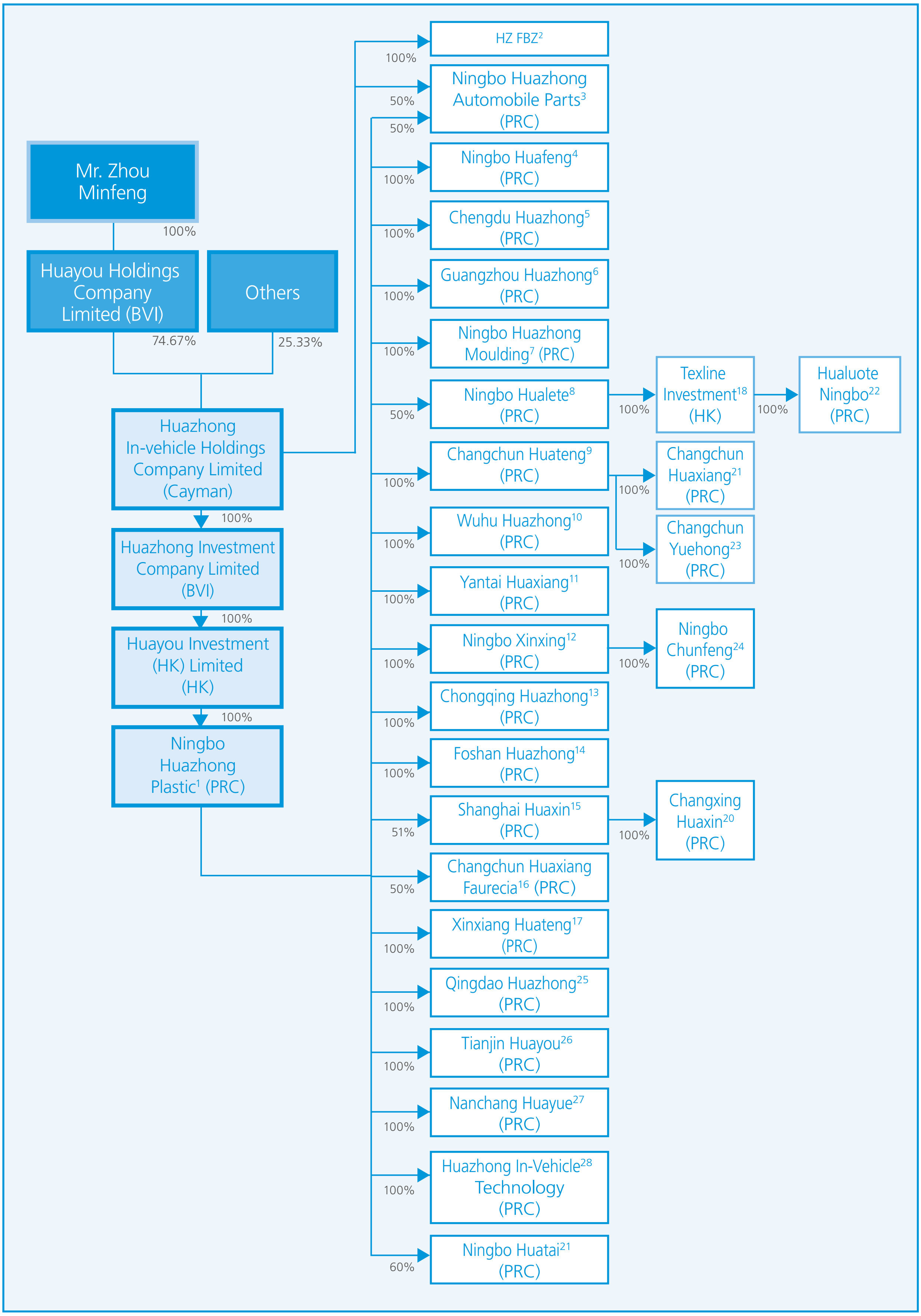
Going forward into 2017, the China's general macro-economic conditions and the operating environment will continue to remain challenging. However, it is expected that the automotive market is able to maintain its stable growth momentum.

The Group proactively formulates a prospective development strategy, taking the lead to expand into the field of automotive lightweight products. With years of experience in the automotive parts industry, we believe that the approach of "replacing steel with plastics" will continue to be developed in the industry.

In addition, the Group was able to improve operating efficiency and resulted in improved margin. In order to stay competitive, the Group will continue to control costs and improve efficiency.

The Group will continue to implement its development strategy of "committing to product research and development and engineering and implementing strategic investments", and become a leading automobile body parts manufacturer in China in terms of reputation and market share.

Last but not the least, we wish to re-affirm that maximization of shareholder value, whilst adhering to the highest standards of corporate governance, will always remain our top priority.


Mr. Zhou Minfeng
100%
Huayou Holdings Company Limited (BVI)
74.67%
Others
25.33%
Huazhong In-vehicle Holdings Company Limited (Cayman)
100%
Huazhong Investment Company Limited (BVI)
100%
Huayou Investment (HK) Limited (HK)
100%
Ningbo Huazhong Plastic1 (PRC)
100%
HZ FBZ2
50%
Ningbo Huazhong Automobile Parts3 (PRC)
50%
100%
Ningbo Huafeng4 (PRC)
100%
Chengdu Huazhong5 (PRC)
100%
Guangzhou Huazhong6 (PRC)
100%
Ningbo Huazhong Moulding7 (PRC)
50%
Ningbo Hualete8 (PRC)
100%
Texline Investment18 (HK)
100%
Hualuote Ningbo22 (PRC)
100%
Changchun Huateng9 (PRC)
100%
Changchun Huaxiang21 (PRC)
100%
Changchun Yuehong23 (PRC)
100%
Wuhu Huazhong10 (PRC)
100%
Yantai Huaxiang11 (PRC)
100%
Ningbo Xinxing12 (PRC)
100%
Ningbo Chunfeng24 (PRC)
100%
Chongqing Huazhong13 (PRC)
100%
Foshan Huazhong14 (PRC)
51%
Shanghai Huaxin15 (PRC)
100%
Changxing Huaxin20 (PRC)
50%
Changchun Huaxiang Faurecia16 (PRC)
100%
Xinxiang Huateng17 (PRC)
100%
Qingdao Huazhong25 (PRC)
100%
Tianjin Huayou26 (PRC)
100%
Nanchang Huayue27 (PRC)
100%
Huazhong In-Vehicle28 Technology (PRC)
60%
Ningbo Huatai21 (PRC)

COMPANY STRUCTURE

Notes:

1. Ningbo Huazhong Plastic Products Co., Ltd.
(寧波華眾塑料製品有限公司)
2. HZ FbZ Formenbau Züttlingen GmbH
3. Ningbo Huazhong Automobile Parts Co., Ltd.
(寧波華眾汽車零部件有限公司)
4. Ningbo Huafeng Plastic and Latex Products Co., Ltd.
(寧波華峰橡塑件有限公司)
5. Chengdu Huazhong Automobile Parts Co., Ltd.
(成都華眾汽車零部件有限公司)
6. Guangzhou Huazhong Automobile Decorative Parts Co., Ltd.
(廣州華眾汽車飾件有限公司)
7. Ningbo Huazhong Moulding Manufacturing Co., Ltd.
(寧波華眾模具製造有限公司)
8. Ningbo Roekona-Zoeppritex-Tex-Line Co., Ltd.
(寧波華樂特汽車裝飾布有限公司)
9. Changchun Huateng Automobile Parts Co., Ltd.
(長春市華騰汽車零部件有限公司)
10. Wuhu Huazhong Automotive Parts Co., Ltd.
(蕪湖華眾汽車零配件有限公司)
11. Yantai Huaxiang Automotive Parts Co., Ltd.
(煙台華翔汽車零部件有限公司)
12. Ningbo Xinxing Automobile Plastic Parts Manufacturing Co., Ltd.
(寧波新星汽車塑料件製造有限公司)
13. Chongqing Huazhong Automobile Decorative Parts Co., Ltd.
(重慶市華眾汽車飾件有限公司)
14. Foshan Huazhong Automobile Parts Co., Ltd.
(佛山華眾汽車零部件有限公司)
15. Shanghai Huaxin Automobile Latex and Plastic Co., Ltd.
(上海華新汽車橡塑製品有限公司)
16. Changchun Huaxiang Faurecia Automotive Plastic Components Co., Ltd.
(長春華翔佛吉亞汽車塑料件製造有限公司)
17. Xinxiang Huateng Automobile Parts Co., Ltd.
(新鄉市華騰汽車零配件有限公司)
18. Texline Investment Co., Limited
(華樂特投資有限公司)
19. Changchun Huaxiang Automobile Plastic Parts Manufacturing Co., Ltd.
(長春華翔汽車塑料件製造有限公司)
20. Changxing Huaxin Automobile Latex and Plastic Co., Ltd.
(長興華新汽車橡塑製品有限公司)
21. Ningbo Huatai Telematics Technology Co., Ltd.
(寧波華太車載技術有限公司)
22. Ningbo Tex Line Automotive Textiles Co.,Ltd
(寧波華絡特汽車內飾有限公司)
23. Changchun Yuehong Investment Co., Ltd.
(長春閱宏投資有限公司)
24. Ningbo Chunfeng Investment Co., Ltd.
(寧波春峰投資有限公司)
25. Qingdao Huazhong Automotive Parts Co., Ltd.
(青島華眾汽車零部件有限公司)
26. Tianjin Huayou Automotive Parts Co., Ltd.
(天津華友汽車零部件有限公司)
27. Nanchang Huayue Plastic Products Company Co., Ltd.
(南昌華越塑料製品有限公司)
28. Ningbo Huazhong In-Vehicle Technology Co., Ltd.
(寧波華眾車載技術有限公司)

Corporate Governance Practices

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as risk management and internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize returns for the Shareholders.

The Company has adopted the code provisions prescribed in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as the code of the Company.

The Board is of the view that the Company has complied with all applicable provisions set out in the CG Code throughout the Year, except for the following deviations.

Code Provision A.2.1

This code provision stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Please refer to the paragraph under "Chairman and Chief Executive Officer" below.

Code Provisions A.6.7 and E.1.2

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders; while code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting.

Mr. Zhou Minfeng (the chairman of the Board), four non-executive Directors and two independent non-executive Directors were unable to attend the Company's annual general meeting held on 16 June 2016 due to their other business engagement.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct governing dealings by all the Directors in the securities of the Company. Specific enquiries have been made with all Directors, who have confirmed that, during the Year, they were in compliance with the required provisions set out in the Model Code. All of the Directors declared that they have complied with the required standard of dealings as set out in the Model Code throughout the Year.

The Board

During the Year, the Board consists of eleven Directors, comprising three executive Directors, four non-executive Directors and four independent non-executive Directors. During the Year, four Board meetings and an annual general meeting were held. Details of the attendance of the Directors are as follows:

	Attendance/Number of	
Name of Director	Board Meetings	Shareholders' Meeting
Executive Directors		
Mr. Zhou Minfeng *(Chairman)*	4/4	0/1
Mr. Liu Genyu (appointed on 4 January 2016)	4/4	0/1
Mr. Chang Jingzhou	4/4	1/1
Non-Executive Directors		
Ms. Lai Cairong	4/4	0/1
Mr. Wang Yuming	2/4	0/1
Mr. He Jifeng	4/4	0/1
Mr. Guan Xin	2/4	0/1
Independent Non-Executive Directors		
Mr. Wong Luen Cheung Andrew *(Vice-chairman)*	4/4	1/1
Mr. Yu Shuli	4/4	1/1
Mr. Tian Yushi	2/4	0/1
Mr. Xu Jiali	4/4	0/1

The functions and duties conferred on the Board include convening Shareholders' meetings, reporting on the work of the Board to the Shareholders at Shareholders' meetings as may be required by applicable laws, implementing resolutions passed at Shareholders' meetings, determining the Company's business plans and investment plans, formulating the Company's annual budget and final accounts, formulating the Company's proposals for dividend and bonus distributions as well as exercising other powers, functions and duties as conferred on it by the articles of association of the Company (the "Articles") and applicable laws. The senior management is delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. The Board meets regularly to review the financial and operating performance of the Company, and considers and approves the overall strategies and policies of the Company. The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The non-executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company.

All Directors have separate and independent access to the Company's senior management to fulfill their duties and, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense. All Directors also have access to the joint company secretaries of the Company (the "Joint Company Secretaries") who are responsible for ensuring that the Board procedures and all applicable rules and regulations are followed. An agenda and accompanying Board committee papers are distributed to the Directors/Board committee members with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings of Board committees, which record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed, are kept by the Joint Company Secretaries and are open for inspection by Directors.

Among the members of the Board, Mr. Zhou Minfeng, an executive Director, is the son of Ms. Lai Cairong, a non-executive Director. Save as disclosed herein, there is no other relationship among the Board members.

Directors' Training

According to the provision A.6.5 of the CG Code, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors of the Company. During the Year, the Company has received from each of the Directors confirmation of taking continuous professional training.

Meanwhile, all the newly appointed Directors will receive a personalised induction programme, tailored to their experience and background, which is designed to enhance their knowledge and understanding of the Group's culture and operations. Such programme usually includes a briefing on the Group's structure, businesses and governance practices. An induction programme was held for Mr. Liu Genyu who was appointed as an executive Director and chief executive officer of the Company on 4 January 2016.

A summary of training received by the Directors for the Year according to the records provided by the Directors is as follows:

Names of Directors	Reading materials updating on new rules and regulations
Executive Directors	
Mr. Zhou Minfeng	✓
Mr. Liu Genyu (appointed on 4 January 2016)	✓
Mr. Chang Jingzhou	✓
Non-Executive Directors	
Ms. Lai Cairong	✓
Mr. Wang Yuming	✓
Mr. He Jifeng	✓
Mr. Guan Xin	✓
Independent Non-Executive Directors	
Mr. Wong Luen Cheung Andrew	✓
Mr. Yu Shuli	✓
Mr. Tian Yushi	✓
Mr. Xu Jiali	✓

Chairman and Chief Executive Officer

On 4 January 2016, the roles of the chairman and chief executive have been separated upon the change of chief executive officer of the Company from Mr. Zhou Minfeng to Mr. Liu Genyu.

Non-Executive Directors

Terms of Appointment of Non-executive Directors

Each of the non-executive Directors has entered into a letter of appointment with the Company and was appointed for an initial term of three years. Mr. Wang Yuming, Mr. He Jifeng and Mr. Guan Xin were re-appointed at the annual general meeting of the Company on 29 May 2015 for three years and Ms. Lai Cairong was re-appointed at the annual general meeting of the Company on 16 June 2016 for three years.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company and was appointed for an initial term of three years. Mr. Wong Luen Cheung Andrew and Mr. Xu Jiali were re-appointed at the annual general meeting of the Company on 29 May 2015 for three years and Mr. Yu Shuli and Mr. Tian Yushi were re-appointed at the annual general meeting of the Company on 16 June 2016 for three years.

According to article 84 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

Independent Non-Executive Directors

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at the Board meetings and scrutinizing the Group's performance. Their views carry significant weight in the Board's decisions; in particular, they bring an impartial view to bear on issues arising from the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided professional advice to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of all the Shareholders can be taken into account, and the interests of the Company and its Shareholders can be protected.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors representing one-third of the Board.

Among the four independent non-executive Directors, Mr. Yu Shuli has appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

Joint Company Secretaries

Mr. Cheung Wah Lung Warren and Ms. Ho Wing Yan, the Joint Company Secretaries, have complied with the requirements under Rule 3.29 of the Listing Rules for the Year.

Board Committees

As an integral part of sound corporate governance practices, the Board has established the following Board committees to oversee the particular aspects of the Group's affairs:

Audit Committee

The Company has established an audit committee (the "Audit Committee") pursuant to a resolution of the Directors passed on 7 December 2011 in compliance with Rules 3.21 and 3.22 of the Listing Rules. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of external auditors, review the financial statements and give material advice in respect of financial reporting, and oversee the risk management and internal control systems of the Company. The Audit Committee consists of three members, namely Mr. Yu Shuli, Mr. Tian Yushi and Mr. Xu Jiali, all of whom are independent non-executive Directors. Mr. Yu Shuli, who has appropriate professional qualifications and experience in accounting matters, has been appointed as the chairman of the Audit Committee.

The Audit Committee mainly performed the following duties during the Year:

— reviewed the Group's audited annual results for the year ended 31 December 2015 and the unaudited interim results for the six months ended 30 June 2016, met with the external auditors to discuss such annual results and interim results (without the Company's management being present), and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure had been made; and

— assisted the Board in meeting its responsibilities for maintaining effective systems of risk management and internal control and the Company's internal audit function.

During the Year, two meetings were held by the Audit Committee. The individual attendance record of each member at the meetings of the Audit Committee is set out below:

Name of member	Attendance/Number of Meetings
Mr. Yu Shuli	2/2
Mr. Tian Yushi	1/2
Mr. Xu Jiali	2/2

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") on 7 December 2011 with written terms of reference. The primary duties of the Remuneration Committee are to determine the specific 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), and make recommendations to the Board on the remuneration of non-executive Directors. The Remuneration Committee currently consists of three members, namely, Mr. Yu Shuli, an independent non-executive Director who is the chairman of the Remuneration Committee, Mr. Zhou Minfeng, an executive Director and Mr. Tian Yushi, an independent non-executive Director. The Board expects the Remuneration Committee to exercise independent judgment and ensure that executive Directors do not participate in the determination of their own remunerations.

The Remuneration Committee reviewed and made recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remunerations and on the establishment of a formal and transparent procedure for developing remuneration policy.

During the Year, one meeting was held by the Remuneration Committee. The individual attendance record of each member at the meeting of the Remuneration Committee is set out below:

Name of member	Attendance/Number of Meeting
Mr. Yu Shuli *(Chairman)*	1/1
Mr. Zhou Minfeng	1/1
Mr. Tian Yushi	0/1

The remuneration of Directors is determined with reference to their duties and responsibilities in the Company as well as the prevailing market conditions. Details of emoluments of Directors for the year ended 31 December 2016 are set out in note 10 to the financial statements. The number of senior management of the Group whose remuneration for the year ended 31 December 2016 fell within the following band is as follows:

	Number of senior management
RMB1,000,000 to RMB2,000,000	1
Nil to RMB1,000,000	1

Nomination Committee

The Company established a nomination committee (the "Nomination Committee") on 7 December 2011 with written terms of reference. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis and to recommend to the Board suitable candidates for Directors after consideration of the nominees' independence and quality in order to ensure fairness and transparency of all nominations. The Nomination Committee currently consists of three members, namely, Mr. Zhou Minfeng, an executive Director as the chairman of the Nomination Committee, and Mr. Yu Shuli and Mr. Tian Yushi, both independent non-executive Directors.

The Nomination Committee mainly performed the following duties:

— reviewed the annual confirmation of independence submitted by the independent non-executive Directors and assessed their independence;

— reviewed the structure, size and composition of the Board during the year of 2016; and

— made suggestion to the board on the retirement and re-election of Directors.

The Nomination Committee adopted the board diversity policy on 30 August 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

During the Year, one meeting was held by the Nomination Committee. The individual attendance record of each member at the meeting of the Nomination Committee is set out below:

Name of member	Attendance/Number of Meeting
Mr. Zhou Minfeng *(Chairman)*	1/1
Mr. Yu Shuli	1/1
Mr. Tian Yushi	0/1

Corporate Governance Functions

The Company's corporate governance functions are carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

Financial Reporting

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group for each financial period in accordance with the requirements of the laws and regulations and applicable accounting standards to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2016, the Directors have selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The statement of the auditors of the Company concerning their responsibilities for the consolidated financial statements of the Group is set out in the Independent Auditor's Report on page 47 of this annual report.

Auditors' Remuneration

The Company has appointed Ernst & Young as the external auditors of the Company. During the year ended 31 December 2016, the Group was required to pay an aggregate of approximately RMB2.50 million (2015: RMB3.00 million) to the external auditors for their audit services relating to financial information.

Shareholders' Rights

To convene an extraordinary general meeting

Pursuant to article 50 of the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Joint Company Secretaries, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Joint Company Secretaries by mail at Room 1704, 17/F., Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong. The Joint Company Secretaries forward communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the Directors.

Procedures for putting forward proposals at general meeting

The number of Shareholders necessary for a requisition for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the requisition.

A copy or copies of requisition signed by all requisitionists shall be deposited, with a sum reasonably sufficient to meet the Company's expenses in giving notice of the proposed resolution or circulating any necessary statement, at the Company's headquarters in China and principal place of business in Hong Kong in the case of:

(i) a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(ii) any other requisition, not less than one week before the meeting.

The Company will verify the requisition and upon confirming that the requisition is proper and in order, the Board will proceed with necessary procedures.

Constitutional documents

During the Year, there has been no significant change in the Company's constitutional documents.

Risk Management and Internal Control

During the Year, the Board complied with the code provisions on risk management and internal control as set out in the CG Code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. Self-assessment and comprehensive risk assessment surveys have been conducted during the review. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

All Directors and those employees who could have access to, and monitor, the information of the Group are responsible for making appropriate measures to prevent abuse or misuse of such information. Employees of the Group are prohibited from using inside information for their own benefit.

The Board is also vested with the responsibility to disseminate to the Shareholders and the public any inside information in the form of announcements and circulars, in accordance with the Listing Rules.

Communication with Shareholders

The Board recognizes the importance of maintaining clear, timely and effective communication with the Shareholders and investors of the Company. The Board also recognizes that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors of the Company and the Shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at www.cn-huazhong.com. The Directors and members of various board committees will attend the annual general meeting of the Company to answer questions raised by the Shareholders. The resolution of every important proposal will be proposed at general meetings separately.

Voting at general meetings of the Company are conducted by way of poll in accordance with the Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively. In addition, the Company regularly meets with institutional investors, financial analysts and financial media to keep them informed of the Group's strategy, operations, management and plans, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Introduction

This report delivers Huazhong In-Vehicle Holdings Company Limited (the "Company" or "Huazhong") and its subsidiaries (collectively know as the "Group") significant performances and commitment on the environment, social and governance ("ESG") for the year ended 31 December 2016. It is in accordance with the updated Environment, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules.

This report covers the period from 1 January 2016 to 31 December 2016 (the "Reporting Period") on information and activities of our PRC subsidiaries. This ESG Report does not include performance data from companies in which the Company does not have a controlling interest.

We aim to become a leading automobile body parts manufacturer in the PRC in terms of market recognition and share and to maximise shareholder value and at the same time broaden the variety of our products, thereby increasing our competitiveness in the industry as well as the return to our shareholders.

As a good corporate citizen, we are committed to creating sustained value for stakeholders by incorporating environmental, social and governance considerations into our operation with an aim to be a positive force to our environment and the wider community. The Group upholds that sustainable development not only encapsulates our environmental performance but is also rooted in our core business practices and our relationship with our shareholders, employees, customers and suppliers. Details of our management approach in environmental and social aspects is set out below in this ESG Report.

Environmental

We attach great importance to the environmental and social responsibilities and continuously carry out a variety of actions that promote care and compassion in society. We believe that being a responsible corporate citizen and operating sustainably over the long-term is integrated into our business model and shareholder value creation framework. We aim to maintain and act upon a long-term perspective in the way that we conduct our business and serve not only to our clients, but also give back to the community and environment.

Our business are subject to various national and local environmental regulations, including but not limited to those governing the use, storage, discharge and treatment of waste water, solid waste and noise from our production facilities. The major environmental regulations applicable to the Group mainly include Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Law on Environmental Impact Evaluations of the PRC (《中華人民共和國環境影響評價法》) and Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》).

During the Reporting Period, to the best of the Directors' knowledge, the Group did not receive any complaint from any regulatory authorities or any other parties in respect of any environmental protection issues, and had not experienced any material environmental incidents arising from its manufacturing activities. During the Reporting Period, no material administrative sanctions or penalties were imposed upon the Group for the violation of environmental laws or regulations which had an adverse impact on its operations.

Emissions and use of resources

Our greenhouse gas emissions are primarily from fuel used in production and purchased electricity for factory and office. There are other indirect emissions generated from purchased goods, for example, paper and business travelling.

Exhaust gas is our major emissions from production. Our exhaust gas is mainly generated from the injection molding and welding process. In order to reduce our emission, the following measures have been implemented:

Exhaust gas management

Exhaust gas would go through Water Curtain Booth before discharge previously. In order to further reduce the harm to the environment, we used Carbon Adsorption Method ("活性炭吸附法") to collect the dust from the exhaust gas before discharge Safety Department ("安全指揮中心") would assess, analysis and monitor the pollutants discharge and report the result regularly.

Energy management

Energy management policy has been established so as to set out the measures for energy reduction, for example, establish energy use budget, analysis the fluctuation for the use of energy and regular review the result of energy management. Energy Management Committee has been established since 2014 for the purpose to i) improve energy management and efficiency; ii) reduce pollutant and emission; iii) improve waste management; and iv) analysis and monitor the use of energy for the Group. The team member of Energy Management Committee has Energy Management Certificate that issued by Ningo Municipal Economic and Information Technology Committee ("寧波市經濟和信息化委員會")

As significant amount of energy were used for operating the machinery in the factory, we achieved the energy saving by acquiring more energy efficient or high performance injection molding machines. The new molding machines could complete the process with a shorter forming time and higher injection speed. The Company has taken the following measures in energy management:

- Install energy-efficient light tubes and use natural daylight for our factory and office as far as possible
- Set the temperature of air conditioning of our offices to an energy-efficient level at 24°C to 26°C
- Encourages employees to switch off all computers and factory/office equipment, electrical and air-conditioner when not in use

Water use management

Throughout the production process, water would be used for cooling down. In order to reduce water consumption, the water that used for cooling process would be recycled and reused for production. Hence, we would not generate waste water for production.

Our water is mainly used for factory canteen, toilet flushing, water tap and drinking water. We have completed canteen sewage treatment project so as to ensure the waste water could fulfill the regulation requirement before discharge.

Waste management

We did not generate any hazardous waste in the ordinary course of business for the Reporting Period. Plastic and metal scrap generated from the trimming process are our key waste for production. For the plastic scrap, it would be crushed by the grinder and reused by the Group for production. For the metal scrap, it would be collected by resources recycle company.

For the general wastes (ie: household wastes) in office, we reduce waste with the following key measures:

- Promote staff behavior by posting saving paper slogans near the printing machine
- Set up paper recycle box in office
- Participated in toner bottles and cartridges recycling programme
- Used durable items, such as ceramic cups and reusable spoons instead of disposable cups and wooden stirrers

Green production

We started the development of moulds for low pressure injection moulding ("LPIM") and application of LPIM in making automobile internal decorative parts in 2000 and 2002, respectively. Through the process, the fabric can be strongly adhered to the plastic backing of the product without using any glue or other chemical substances and therefore is environmental friendly. Two of the moulds we developed, namely, LPIM moulds for internal decorative parts for premium-end vehicles with environmental-friendly and advanced fabric (環保高效針織面料模內包履高端轎車內飾件低壓注塑成型模具) and moulds for long fiberglass front-end carrier with medium-sized metal insert (長玻纖汽車前端框架（含中型金屬嵌件）注塑模具) are energy-saving and environmentally-friendly.

We also improve our product design so as to reduce the weight of the series of engine cooling system product by replacing the use of steel with plastic. It is expected that the weight of vehicle would be reduced by 4 - 6 kg and it would indirectly reduce the emission. In addition, as plastic is used to replace the steel, the welding process could be eliminated and the production process could be simplified. It would thereby reduce the energy consumption.

With our continuous effort on environment protection, The People's Government of Ningbo Municipality ("寧波市政府") has issued a certificate to recognize us as Energy Saving and Emission Reduction Advanced Enterprises ("節能減排先進企業").

We will continue to look for opportunities to reduce further emissions and wastes on an ongoing basis in order to minimize the Group's impacts of activities on the environment and natural resources.

Social

Workplace

We recognise the importance of maintaining good relationship with our employees. We believe that the working environment and benefits offered to our employees have contributed to building good staff relations and retention. We value our staff and take all possible measures to retain them, in particular build a comfortable, healthy and equal working environment for our employees and ensure that all their rights and interests are protected.

Employment

We aim to attract and retain high-calibre talents to support our strategic growth. We recruited our staff through different ways, such as local recruitment agencies, on-campus recruitment and recruitment advertisement. We are committed to hiring employees without taking into consideration of nationality, gender, age, family status and other facts irrelevant to competencies and qualifications of the candidates during the recruitment process.

We are subject to various rules and regulations in relation to employment, for example, PRC Labour Contract Law (《中華人民共和國勞動合同法》) and Employment Ordinance of Hong Kong. During the Reporting Period, to the best of the Directors' knowledge, the Group did not receive any complaint from any regulatory authorities or any other parties in respect of any employment issues, and had not experienced any material employment incidents arising from its operation. During the Reporting Period, no material administrative sanctions or penalties were imposed upon the Group for the violation of relevant laws and regulations regarding compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

Employee benefits

The remuneration package of our employees is determined by the management and/or the Remuneration Committee of the Company by accessing the employees' or the directors' performance and experience, as well as the nature of work and duties for the position. To ensure our salary structure is fair and competitive, it will be reviewed annually. In addition, performance appraisal has also been conducted regularly as the basis for employee promotion and salary adjustment.

We understand that employees are our most valuable assets and we strive to provide comprehensive benefits and safeguards to our employees. For example, five-day work week arrangement for office staff, medical insurance and discretionary bonus. We would provide overtime pay for any working time accrued outside regular working hours for factory workers. We adhere strictly to statutory employment standards, such as wages, working hours and rest period, and maintain appropriate internal standards and workplace practices.

Whenever an employee resigns or gets laid off, designated human resource personnel should perform exit-interview to find out the underlying reasons of departure or dismissal, and to ensure full compliance with the relevant employee laws and regulations.

Anti-discrimination

We strictly prohibit discrimination based on race, colour, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status in recruitment and employment practices such as promotions, rewards and demotion. Providing an environment and a system where employees could feel free to report problems to management is necessary and critical. Whistle-blowing policy was in place so that our employees could raise concerns in confidence about misconduct, malpractice of matters related to the Company. We did not record any cases of discrimination for the Reporting Period.

Occupational safety

"Safety as first priority, precaution crucial" is our work safety principle. We endeavour to provide and maintain a safe and healthy working environment for employees to protect them from work-related accidents or injuries.

The PRC Production Safety Law (《中華人民共和國安全生產法》) is the principal law governing our supervision and administration of production safety in the PRC factory. To ensure that our production facilities comply with the applicable safety standards, we have established operational safety guidelines and manuals, such as fire safety manual and production safety manual, which set out the requisite requirements and procedures to be adhered to for the prevention of accidents in our production facilities. All of our production facilities are required to be thoroughly tested before commencement of production. All operators of our production facilities are required to be trained before they are allowed to operate the facilities. Training sessions are provided on the required safety standards and maintenance and operation.

Apart from the above, we also implemented the following measures in order to maintain a safe and health working environment to avoid any unnecessary injury or accident:

- Conduct accident emergency drills for each factory annually

- Enhance our indoor air quality and well-being of all employees, we create smoke-free workplaces for our employees. Smoking is prohibited in all enclosed areas within the factories and offices, without exception

- Encourage a pro-active and risk-based accident prevention culture that every staff in the Group shall undertake the responsibility for work safety

- Carry out inspection for any unsafe condition and fix it immediately

- Keeps abreast of the latest developments for the laws and regulations in relation to occupational safety and implement additional measures, if necessary

- First-aid kits is available at each workplace to ensure that any employee who is injured or ill at work can receive immediate attention and at least one staff, in every production unit, should have the Certificate in First Aid to provide necessary aid in case any accident happens

During the Reporting Period, to the best of the Directors' knowledge, no material administrative sanctions or penalties were imposed upon the Group for the violation of relevant laws and regulations in providing a safe working environment and protecting employees from occupational hazards. In addition, the Group did not receive any complaint or notification from regulatory authorities for contravention of any of regulation relating to safety issues.

Employee growth and development

We continue to provide training for our staff to enhance technical knowledge as well as knowledge of industry quality standards. We believe such initiatives have contributed to the increased employee productivity.

During the Reporting Period, we have organized various training program for different department.

The following table shown some of the training that we have provided for the Reporting Period:

	Key focus of training
Executive staff	• Company strategy • Operational management • Human resources management
Departmental	• Human resource management, for example, handling conflict of interests, effective communication, writing job description...etc • Accounting and taxation update • Writing of sales proposal • Warehouse and logistics management • Supply chain management
Factory workers	• Work safety training • Fire prevention training • Production efficiency training • Writing quality rectification report

Labour standards

We strictly emphasize on the prohibition of engaging child labour and forced labour. As prevention, during the hiring process, our human resources department verify the personal information, including age of the applicants by checking their identity documents. All work should be voluntarily performed and shall not involve forced labour. All employees may resign upon reasonable notice.

During the Reporting Period, to the best of the Directors' knowledge, no material administrative sanctions or penalties were imposed upon the Group for the violation of relevant laws and regulations in relation to labour standards on preventing child or forced labour.

Supply chain management

Our major production materials comprise mainly various types of resin, such as polycarbonate/acrylonitrile butadiene styrene ("PC/ABS") and polypropylene ("PP"), accessories (such as metal clamps and screws) and fabric.

Most of the fabric used in our production was sourced from our jointly controlled entity, Ningbo Roekona Zoeppritex-Tex-Line Co., Ltd ("Ningbo Hualete"). For other production materials such as resins and accessories, they are of universal standard which are not unique nor solely dependent on any particular supplier. Most of our suppliers of production materials are from China, with certain production materials, including higher grade plastics, and accessories being sourced from overseas.

We select our sub-contractors on the basis of price, quality of products and service, technology standard, production capability, environmental condition and delivery time. Our quality control department would also assess our sub-contractors on a monthly basis according to the product return rate and the feedback from our production line.

We have been dedicated to doing business with honesty and integrity in stringent compliance with applicable local laws and regulations. Since we recognised that how we cooperate with our suppliers and business partners has a significant impact on the quality of our products as well as our reputation, we expect our suppliers and business partners to operate in a manner that demonstrates best practices in connection with environmental and social matters.

Quality control and product responsibility

Our products' quality and safety are fundamental to total customer satisfaction. To ensure the quality of our product, we impose quality control procedures on the selection and testing (through sample testing) of raw materials, semi-finished products and the end products throughout the production process.

We have a separate quality control department, which is responsible for carrying out inspections and sample checking on the raw materials and products. Inspections and tests are conducted using certain quality control equipment and machines which test different characteristics of sample raw materials and products to ensure that our products are of quality, from sourcing to production and finishing. Our sales department also conducts surveys on customers' feedback on our products, the results of which will be analysed and used to formulate measures of improvement. Our production quality and capability are recognised by the accreditation of the ISO/TS16949 certification which signifies that the quality of our manufacturing process is up to the internationally recognised quality management system requirements for the design, development and production of automotive-related products.

Apart from the above, we improve our quality further by setting Quality Improvement Program with our key customer. Under the Quality Improvement Program, we would have a face-to-face discussion with the quality control department of our customer. The supports from the quality control department of our customer not only provided detailed guidelines and instructions to us, but also formulated case studies and workshops to our staff, which is a valuable lesson to us. It facilitate our Group to further improve the product quality.

We do not maintain product liability insurance. Our Directors consider that it is not an industry norm to maintain product liability insurance because there is no such requirement under current PRC laws and product liability insurance is not commonly available from insurance companies in the PRC.

During the Reporting Period, to the best of the Directors' knowledge, the Group did not receive any compliant from its any parties in respect of non-compliance of health and safety, advertising and labelling relating to products and services. In addition, we did not face any material complaints, product claims or product recall for the Reporting Period.

Personal data privacy

We are committed to protecting privacy and confidentiality of personal data of our employees, customers, business partners and other identifiable individuals. Our employees are instructed to handle customer information with due care. They may get information about the customer only when there is a good reason to do so. We collect and use customer information in a responsible and non-discriminatory manner by restricting the use of the customer information to the purposes consistent with those identified in our contracts.

During the Reporting Period, to the best of the Directors' knowledge, the Group did not receive any compliant from its customers or any other parties in respect of non-compliance of privacy issues.

Anti-corruption

We commit to stringent compliance with all applicable rules and regulations and to maintain a fair and just society, for example, Prevention of Bribery Ordinance (Cap. 201) of Hong Kong and Criminal Law and Anti-Unfair Competition Law of the PRC.

Parties involved in business interaction shall prohibit each and every form of corruption, extortion, bribery, fraud, money laundering and embezzlement. We requested our employees to conform with our requirements and policies on code of conduct as set out in staff handbook. A whistle-blowing policy has been implemented with the purpose of providing a confidential platform for our employees to report on any issues of concern arising in our operation. We have no hesitation to adopt disciplinary actions upon any proven misconduct case.

During the Reporting Period, to the best of the Directors' knowledge, the Group did not receive any compliant from its any parties in respect of non-compliance of bribery, extortion, fraud and money laundering issues.

Community involvement

As a responsible corporate citizen, we believe that we can promote the harmonious development of society by actively fulfilling our responsibility to improving people's livelihoods. Our management strives encourage employees to improve the society through community involvement, both management and employees of the Group have been eager to take their own initiatives in helping and supporting the local communities and neighbours.

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Zhou Minfeng (周敏峰), aged 50, was appointed as an executive Director on 3 December 2010. He is the chairman of the Board and executive Director. He is also a member of the remuneration committee and the chairman of the nomination committee of the Company. Mr. Zhou has over 21 years of experience in the automobile body parts industry and is primarily responsible for the overall corporate strategic planning and business development of the Group. Mr. Zhou is the founder of the Group and is also a director of all the subsidiaries of the Company. Mr. Zhou assumes several social positions, such as the vice chairman of the Ningbo Enterprise Federation (寧波企業聯合會), Ningbo Entrepreneurs Association (寧波市企業家協會) and Ningbo Federation of Industrial Economy (寧波市工業經濟聯合會) since 2009. Mr. Zhou is also a representative of the 12th and 13th Standing Committee of Ningbo Municipal People's Congress (寧波市第十二、十三屆人民代表大會常務委員會代表). Mr. Zhou received a diploma of Master Business Administration from the China Europe International Business School (中歐國際工商學院) in March 2003. Mr. Zhou is the son of Ms. Lai Cairong (賴彩絨), a non-executive Director.

Mr. Liu Genyu (劉根鈺), aged 53, was appointed as an executive Director and chief executive officer of the Company on 4 January 2016. He was an executive director, a chief executive officer, and a member of the Executive Committee of China Power New Energy Development Company Limited (a company listed on the Stock Exchange, stock code: 735) for the period from 2007 to 2012. Mr. Liu is a senior engineer. He graduated from Tsinghua University with a degree of Executive Master of Business and Administration (EMBA). Mr. Liu had also served in positions including the vice president of Chongqing Jiulong Electric Power Co., Ltd. and a lecturer in Harbin Power Vocational Technology College.

Mr. Chang Jingzhou (常景洲), aged 56, was appointed as an executive Director on 7 December 2011. Mr. Chang has over 14 years of experience in the automobile body parts industry and is primarily responsible for overall production management, technology quality assurance and project management of the Group. Mr. Chang worked for the People's Liberation Army of PRC from January 1980 to December 1982. From 1996 to December 1998, Mr. Chang served various positions in Xi'an Airport Industry Wei Yuan Company (西安飛機工業渭原公司), including head of technical department and general engineer. Mr. Chang joined the Group in June 2000 as supervisor of technology development and was promoted to vice general manager in August 2008. Mr. Chang obtained the bachelor's degree in Machinery Manufacturing Process and Equipment (機械製造工藝與設備) from Xi'an City Employee University (西安市職工大學) in June 1990.

Non-executive Directors

Ms. Lai Cairong (賴彩絨), aged 72, was appointed as a non-executive Director on 7 December 2011. Ms. Lai served as a director of Ningbo Huazhong Plastic since September 1999. Since August 2008, Ms. Lai also served as the chairperson of the board of Xiangshan Huangxiang International Hotel (象山華翔國際大酒店). Ms. Lai is the mother of Mr. Zhou, the executive Director and chairman of the Company. Ms. Lai graduated from Xizhou Middle School (西周中學) in July 1961.

Mr. Wang Yuming (王玉明), aged 60, was appointed as a non-executive Director on 7 December 2011. Mr. Wang currently serves as the general manager of First Automobile Work Sihuan Group Company (一汽四環集團公司) since 2007. Mr. Wang served as the director of Changchun Faway Automobile Components Co., Ltd. (長春一汽富維汽車零部件股份有限公司) since December 2007. Mr. Wang received a master's degree in Senior Management and Business Management (高級管理人員與工商管理) from Dongbei University of Finance and Economics (東北財經大學) in June 2008.

Mr. He Jifeng (何積豐), aged 73, was appointed as a non-executive Director on 7 November 2014. Mr. He has served successively as a lecturer, associate professor, professor and dean at East China Normal University (華東師範大學) since February 1965. Mr. He was elected as an academician of Chinese Academy of Sciences (中國科學院) in November 2005. He was also among the first to promote the internet of vehicles (汽車移動物聯網) in China. He is a member of the presidium and an executive director of Joint Construction Commission of New Generation National Traffic Control Network (the "Commission") (新一代國家交通控制網聯合建設委員會). The Commission was jointly founded by ten big state-owned enterprises and ten distinguished universities in China, whose objective is to design and develop the new generation of national traffic control network (新一代國家交通控制網). Mr. He obtained a bachelor's degree in mathematics from Fudan University (復旦大學) in 1965.

Mr. Guan Xin (管欣), aged 55, was appointed as a non-executive Director on 7 November 2014. Mr. Guan has been the head of the Institute of Automotive Research of Jilin University (吉林大學汽車研究院) since May 2010 and the director of the State Key Laboratory of Automotive Simulation and Control of Jilin University (吉林大學汽車仿真與控制國家重點實驗室) since March 1998. Mr. Guan is also a professor specializing in automotive design and manufacture. From December 2004 to December 2012, Mr. Guan was the dean of the College of Automotive Engineering of Jilin University (吉林大學汽車工程學院). From June 1993 to March 1998, he was the executive deputy director of the State Key Laboratory of Automotive Dynamic Simulation of Jilin University of Technology (吉林工業大學汽車動態模擬國家重點實驗室). From February 1989 to June 1993, he was a lecturer and associate professor at Jilin University of Technology. Mr. Guan obtained a bachelor's degree, a master's degree and a doctoral degree in engineering from Jilin University of Technology (吉林工業大學) in 1982, 1985 and 1990 respectively.

Independent non-executive Directors

Mr. Wong Luen Cheung Andrew (王聯章), aged 59, was appointed as an independent non-executive Director on 8 April 2015 and the vice-chairman of the Company on 30 December 2015. Mr. Wong is currently an independent non-executive director of CITIC Bank (中信銀行), the chairman of its nomination and remuneration committees and a member of its audit and related party transactions control committee, an independent director of CANADIAN SOLAR INC (加拿大阿特斯陽光電子集團) and an independent non-executive director of ACE Life Insurance Co., Ltd. (瑞士安達人壽保險有限公司). Mr. Wong is also a director of China Overseas Friendship Association (中華海外聯誼會). Since January 2013, he has been a member of the eleventh Chinese People's Political Consultative Conference (中國人民政治協商會議), Shaanxi Provincial Committee (陝西省委員會), Xian, China. Mr. Wong held various senior positions at the Royal Bank of Canada (加拿大皇家銀行), including the assistant representative for China operations, representative of southern China, the branch manager of the Shanghai branch. He also held various positions at the Union Bank of Switzerland (瑞士聯合銀行), including head of China desk and an executive director of debt capital markets. Mr. Wong previously also served as a director of China Citicorp International Limited, a merchant banking arm of Citibank (花旗銀行集團商人銀行 — 萬國寶通國際有限公司). Further, Mr. Wong was the head of Greater China business of Hang Seng Bank Limited (恒生銀行有限公司) and the managing director of corporate and investment banking - Greater China of DBS Bank Limited, Hong Kong (香港星展銀行有限公司). Mr. Wong has been a member of the Shenzhen Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議) since 2002. Mr. Wong was awarded the National Excellent Independent Director by the Shanghai Stock Exchange (上海證券交易所) in 2010. Mr. Wong also received the Medal of Honour (Hong Kong SAR) from the Hong Kong SAR Government in 2011. Mr. Wong was an independent non-executive director of China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司), a company listed on the Stock Exchange and the Shanghai Stock Exchange, from July 2006 to May 2012, and was also a member of its audit committee, risk management committee and nomination committee and the chairman of its compensation and remuneration committee. Mr. Wong was also a non-executive director of Intime Department Store (Group) Company Limited (銀泰商業（集團）有限公司), a company listed on the Stock Exchange from 31 May 2013 to 5 September 2014.

Mr. Yu Shuli (於樹立), aged 68, was appointed as an independent non-executive Director on 7 December 2011. Mr. Yu is also the chairman of the audit committee and the remuneration committee of the Company and a member of the nomination committee of the Company. Mr. Yu received a diploma in economics from Shanghai Financial School (上海財經學院) in July 1985. Mr. Yu served as the head of financial department, vice general accountant, general accountant and head of the factory of Aerospace Shanghai Xinxin Machine Factory (航天部上海新新機器廠) from 1986 to 1997. Mr. Yu then joined Shanghai Delphi Automotive Air Conditioning Systems Co., Ltd. (上海德爾福汽車空調系統有限公司) and worked as a general manager until June 2006. Subsequently, Mr. Yu served as the head of the Shanghai Automotive Air Conditioner Factory (上海汽車空調器廠) until November 2008. Mr. Yu currently serves as the director of Zhejiang Sanhua Co., Ltd. (浙江三花股份有限公司) since April 2006. Mr. Yu became a qualified senior accountant in the PRC in August 1995. Subsequently, Mr. Yu served as an independent executive of Ningbo Huaxiang Electronics (寧波華翔電子股份有限公司), a company listed on Shenzhen Stock Exchange, from January 2008 to December 2013 and has been a supervisor of Ningbo Huaxiang Electronics since January 2014.

Mr. Tian Yushi (田雨時), aged 71, was appointed as an independent non-executive Director on 7 December 2011. Mr. Tian is also a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Tian received the bachelor's degree in machinery from Harbin Industrial University (哈爾濱工業大學) in July 1970 and the bachelor's degree in party policy management (黨政管理) from correspondence school of CPC Central Committee Party School (中共中央黨校函授學院) in December 1992. Mr. Tian served various positions in China First Automobile Group (中國第一汽車集團公司) (formerly known as CPC First Automobile Factory (中共第一汽車製造廠)), a state-owned enterprise which is principally engaged in automobile manufacturing, including department head of the party committee, director for production and dispatching, general director for dispatching, assistant to the general manager and director for coordination and supporting from May 1991 to January 2000. Mr. Tian was then designated as the general manager of Fawer Automotive Parts Company Ltd. (富奧汽車零部件有限公司), a subsidiary of China First Automobile Group in January 2000. From January 2000 to July 2005, Mr. Tian also served as the chairman of more than 12 subsidiaries of First Automobile Works (第一汽車集團公司). Mr. Tian was appointed as senior consultant of China Auto Parts & Accessories Corp. (中國汽車零部件工業公司) in October 1996. Mr. Tian currently serves as an evaluation expert of the Investment Projects of Jilin Province and an evaluation expert of the Key Projects of Changchun.

Mr. Xu Jiali (徐家力), aged 56, was appointed as an independent non-executive Director on 31 July 2013. Mr. Xu is also a member of the audit committee of the Company. He has been the Head of the Institute of Law of Beijing Academy of Social Sciences (北京市社會科學院法學研究所) since April 2013, the Associate Dean of the Lawyer College of Renmin University of China (中國人民大學律師學院) since 2012 and a director and tutor of PhD students of the Center for Intellectual Property Rights Studies of China University of Political Science and Law (中國政法大學知識產權研究中心) since 2007. Mr. Xu obtained a bachelor's degree in laws from Peking University (北京大學) in 1983 and further obtained his master's degree and doctoral degree in laws from China University of Political Science and Law (中國政法大學) in 1986 and 2000 respectively. He is a practicing lawyer in the People's Republic of China and is a founding partner of Longan Law Firm (隆安律師事務所). Mr. Xu was the Dean of the Law School of Guizhou Normal University (貴州師範大學法學院) from 2004 to 2007. He served as a director and the executive vice-president of the Beijing Lawyers Association (北京律師協會) from 1995 to 2005 and a prosecutor of the Supreme People's Procuratorate of the People's Republic of China (中華人民共和國最高人民檢察院) from 1986 to 1992.

Senior Management

Mr. Zhou Ruqing (周汝青), aged 70, is the vice general manager and is primarily responsible for the daily management. From August 1988 to October 1993, Mr. Zhou served as a technician of Ningbo Huaxiang Electronics (a company listed on the Shenzhen Stock Exchange). Mr. Zhou then joined Ningbo Huazhong Plastic and worked as a head of the factory until June 1999. Mr. Zhou served as the vice general manager of Ningbo Xinxing until May 2004. From May 2004 to September 2009, Mr. Zhou worked as the vice general manager of Ningbo Huaying Incos Mould Manufacturing Co., Ltd. (寧波華英模具科技發展有限公司), a private company which is principally engaged in mould manufacturing. Mr. Zhou worked as the vice general manager of Ningbo Huazhong Moulding since September 2009. Mr. Zhou became an engineer in December 1993. Mr. Zhou graduated from Xizhou Middle School (西周中學) in July 1963.

Mr. Cheung Wah Lung Warren (張華龍), aged 37, joined the Company on 9 June 2015 and is the chief financial officer and a joint company secretary of the Company. He graduated with a bachelor of business and administration degree from the Simon Fraser University in Canada. He is a member of the American Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries. Prior to joining the Company, Mr. Cheung Wah Lung Warren worked in the assurance and advisory business services department of Ernst & Young, Certified Public Accountants, and served as the financial controller of a company listed on the Stock Exchange from November 2010 to May 2015.

Mr. Cui Jihong (崔繼宏), aged 51, is the assistant to general manager of the Company and is primarily responsible for sales. From February 2001 to October 2004, Mr. Cui served various positions in Ningbo Huazhong Plastic, including the department head for sales, production and technology. Mr. Cui was then delegated to join Nanchang Jiangling Huaxiang Automobile Parts Co., Ltd. (南昌江鈴華翔汽車零部件有限公司), a private company which is principally engaged in automobile body parts manufacturing in October 2004 and worked as the vice general manager until November 2007. Mr. Cui then joined Ningbo Huazhong Plastic and worked as the assistant of the general manager since April 2008. Mr. Cui became an engineer in September 1993. Mr. Cui obtained the bachelor's degree from Dalian University of Technology (大連理工大學) in July 1988.

Joint Company Secretaries

Mr. Cheung Wan Lung Warren (張華龍) is a member of the senior management and a Joint Company Secretary. Please refer to his biography under the paragraph headed "Senior Management" above.

Ms. Ho Wing Yan (何詠欣) was appointed as a Joint Company Secretary. She has more than ten years of experience in serving as company secretary of Hong Kong companies and providing company secretary services to companies listed on the Stock Exchange. Ms. Ho Wing Yan is an associate member of both The Hong Kong Institute of Chartered Secretaries ("HKICS") and The Institute of Chartered Secretaries and Administrators. She is also a holder of the Practitioner's Endorsement issued by HKICS.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited financial statements of the Group for the year ended 31 December 2016.

Principal Activities

The Company is an investment holding company. The Group is one of the principal suppliers of automobile body parts in China. The Group is principally engaged in manufacture and sale of internal and external decorative and structural automobile parts, moulds and tooling, casing and liquid tank of air conditioning or heater units and other non-automobile products.

Business Review

The business review of the Group is set out in the sections of Chairman's Statement, Management Discussion and Analysis, Environmental, Social and Governance Report, Financial Summary and paragraphs below.

The Group complies with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (the "SFO") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group. No important event affecting the Group has occurred since the end of the financial year under review.

Key Risk Factors

The following lists out the key risks and uncertainties facing the Group.

Reliance on Automobile Industry and Automakers and Automobile body parts Manufacturers as Our Customers

As we rely on automakers and automobile body parts manufacturers as customers or potential customers of our products, our financial performance largely depends on the continued growth of the automobile industry and the continued growth of outsourcing in the automobile industry. The automobile industry has been characterised by shorter time in new car models launch, continuous technological advancement, evolving industry standards and changing customer needs, all of which indicate a trend of shorter product life cycles.

Sales of our products to a particular automaker or automobile body parts manufacturer are influenced by the sales performance of particular car models to which our products relate. In particular, the relevant automaker's ability to anticipate changes in consumer tastes, preferences and requirements, its capability to design and manufacture cars to meet such consumer tastes, preferences and requirements, its sales and marketing capabilities, its sales and after-sales services, and its competitiveness as compared with other competitors in the market, may affect the sales performance of particular car models to which our products relate. Undesirable sales performance of any particular automaker and/or particular car model to which our products relate may adversely affect, our sales of the relevant products.

Overall market demand for cars may also be affected by factors such as global and regional economic and market conditions, personal disposal income and interest rate levels, fuel price, seasonality of sales of automobiles, government policies and measures on emission control and automobile consumption and purchases. These factors, which are beyond our control, may affect the annual production of automobiles by automakers, increase the manufacturing and distribution cost of automobiles, and/or result in downward pressure on the selling prices of automobiles, which, in each case, may in turn result in downward pressure on the selling prices of our products or otherwise adversely affect our sales and profitability.

We also have no or limited control on, among other factors, the expected market responses and demands of any particular car model (which can be affected by the automaker's ability to respond to the changing customer tastes or preference in a timely manner), the popularity of the car brand, the development process and rollout plans of the car model. There is also no assurance that our customers will proceed with the commercial production of any particular new car model with automobile body parts developed by us, or will place purchase orders with us for commercial production thereof. If the sales of any particular products supplied or developed by us cannot achieve the intended result for whatever reason, our sales of such products to our customers may be adversely affected, which may in turn materially and adversely affect our overall financial results.

Dependence on a Few Key Customers

Sales to our five largest customers, in aggregate, accounted for about 58.8% (2015: 63.8%) of our total sales during the Year. Three of our five largest customers had more than 10 years of business relationship with us, and the remaining two of our five largest customers had more than six years of business relationship with us. If any of these customers ceases to do business with us, or substantially reduces the volume of its business transactions with us, or delays or cancels any purchase orders for our products, or fails to or otherwise delays in payment for our products for whatever reason, or if we are unable to secure new, substitute customers with comparable sale volume and profit margin, our profitability and financial position can be adversely affected.

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in parts of business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realizes that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance.

Key Relationships with Employees, Customers and Suppliers

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year under review.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analyze on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

Subsidiaries

Details of the principal subsidiaries of the Group as at 31 December 2016 are set out in note 1 to the financial statements.

Financial Statements

The profit of the Group for the year ended 31 December 2016 and the state of the Group's affairs as at that date are set out in the financial statements on pages 51 to 54 of this annual report.

Dividend

The Board does not recommend the payment of a final dividend for the Year.

Reserves

Details of movements in reserves of the Company and the Group are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves of the Company

As at 31 December 2016, the Company had no reserve available for distribution. Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

Property, Plant and Equipment

Movements in property, plant and equipment of the Group for the year ended 31 December 2016 are set out in note 15 to the financial statements.

Share Capital

Details of the movements in issued capital of the Company during the year ended 31 December 2016 are set out in note 31 to the financial statements.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 135.

Directors

The Directors during the Year and up to the date of this annual report are:

Executive Directors
Mr. Zhou Minfeng *(Chairman)*
Mr. Liu Genyu *(Chief Executive Officer)* (appointed on 4 January 2016)
Mr. Chang Jingzhou

Non-Executive Directors
Ms. Lai Cairong
Mr. Wang Yuming
Mr. He Jifeng
Mr. Guan Xin

Independent Non-Executive Directors
Mr. Wong Luen Cheung Andrew *(Vice-chairman)*
Mr. Yu Shuli
Mr. Tian Yushi
Mr. Xu Jiali

The Company has received annual confirmation of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

Each of the executive Directors on the Board during the year ended 31 December 2016 had entered into a service contract with the Company for an initial term of three years commencing from 12 January 2012 (the "Listing Date") and thereafter may be terminated by not less than three months' notice in writing or payment in lieu of such notice served by either party on the other. The service contracts are automatically renewed upon expiration.

Each of the non-executive Directors has entered into a letter of appointment with the Company and was appointed for an initial term of three years. Mr. Wang Yuming, Mr. He Jifeng and Mr. Guan Xin were re-appointed at the annual general meeting of the Company on 29 May 2015 for three years; and Ms. Lai Cairong was re-appointed at the annual general meeting of the Company on 16 June 2016 for three years.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company and was appointed for an initial term of three years. Mr. Wong Luen Cheung Andrew and Mr. Xu Jiali were re-appointed at the annual general meeting of the Company on 29 May 2015 for three years; and Mr. Yu Shuli and Mr. Tian Yushi were re-appointed at the annual general meeting of the Company on 16 June 2016 for three years.

All of them subject to the termination by not less than three months' notice in writing served by the respective non-executive Directors and independent non-executive Directors on the Company, and by immediate notice in writing served by the Company on the respective non-executive Directors and independent non-executive Directors.

By virtue of article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with articles 84(1) and 84(2) of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. As such, Mr. Chang Jingzhou, Mr. Wang Yuming, Mr. He Jifeng and Mr. Guan Xin will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Directors' and Senior Management's Biographies

Biographical details of the Directors and senior management are set out on pages 30 to 33 of this annual report.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company or an entity connected with a director of the Company had a material interest, either directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Indemnity for Directors

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year.

Directors' and Chief Executive Officer's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2016, the Directors and the chief executive officer of the Company had the following interests or short positions in the shares (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive officer of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long position in the Company

Name of Director	Capacity/ Nature of interest	Number of Shares	Number of Underlying Shares	Approximate percentage of the issued share capital
Mr. Zhou Minfeng	Interests of controlled corporation (1)	1,198,500,000	—	74.67%
	Beneficial owner	—	3,000,000 (2)	0.18% (4)
	Spouse's interest	—	2,000,000 (2)(3)	0.12% (4)
Mr. Chang Jingzhou	Beneficial owner	—	1,200,000 (2)	0.07% (4)
Ms. Lai Cairong	Beneficial owner	—	7,600,000 (2)	0.47% (4)
Mr. Wong Luen Cheung	Beneficial owner	5,000,000	—	0.31%

Notes:

(1) Mr. Zhou Minfeng is deemed to be interested in Shares held by Huayou Holdings Company Limited ("Huayou Holdings") by virtue of Huayou Holdings being wholly-owned by Mr. Zhou Minfeng.

(2) Shares subject to options under the Pre-IPO Share Option Scheme.

(3) Ms. Chen Chun'er, the spouse of Mr. Zhou Minfeng, has been granted an option to subscribe for Shares under the Pre-IPO Share Option Scheme, therefore, Mr. Zhou Minfeng is deemed to be interested in Ms. Chen Chun'er's option.

(4) Calculated based on the number of issued Shares taking into account Shares which may be allotted and issued to all grantees upon their full exercise of the options under the Pre-IPO Share Option Scheme.

Save as disclosed above, as at 31 December 2016, none of the Directors or the chief executive officer of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive officer of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Equity-Linked Agreement

Details of the equity-linked agreement entered into during the Year or subsisting at the end of the Year are set out below:

Share Option Schemes

Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme on 15 December 2011 for the purpose of giving certain eligible persons an opportunity to have a personal stake in the Company and motivating them to optimize their future performance and efficiency to the Group and/or rewarding them for their past contributions, and attracting and retaining, or otherwise maintaining ongoing relationships with, such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Options to subscribe for an aggregate of 18,000,000 Shares were granted on 23 December 2011. The exercise price per Share is HK$1.12, representing a discount of 20% to the global offering price per Share. Save as disclosed below, no further options were granted under the Pre-IPO Share Option Scheme prior to the Listing Date. All options granted under the Pre-IPO Share Option Scheme may be exercised in the following manner:

Exercise period	Maximum percentage of options exercisable
Anytime after the first anniversary of the Listing Date till the Expiring Date (1)	35 % of the total number of options granted
Anytime after the second anniversary of the Listing Date till the Expiring Date (1)	70 % of the total number of options granted
Anytime after the third anniversary of the Listing Date till the Expiring Date (1)	100 % of the total number of options granted

Note:

(1) The Expiring Date of the Pre-IPO Share Option Scheme will be 11 January 2017.

Details of the share options movement under the Pre-IPO Share Option Scheme for the Year are as follows:

Name	Outstanding as at 1 January 2016	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Outstanding as at 31 December 2016
Directors						
Mr. Zhou Minfeng	3,000,000	—	—	—	—	3,000,000
Mr. Chang Jingzhou	1,200,000	—	—	—	—	1,200,000
Ms. Lai Cairong	7,600,000	—	—	—	—	7,600,000
Senior Management						
In aggregate	3,100,000	—	—	—	—	3,100,000
Others						
In aggregate	19,800,000	—	—	—	—	19,800,000
Total	34,700,000	—	—	—	—	34,700,000

Save as disclosed above, there were no options outstanding, granted, exercised, lapsed and cancelled under the Pre-IPO Share Option Scheme during the Year.

As at the date of this annual report, the total number of shares available for issue under the Pre-IPO Scheme was 34,700,000, representing approximately 2.16% of the issued share capital of the Company.

Further details of the Pre-IPO Share Option Scheme are set out in note 32 to the financial statements.

Share Option Scheme

The Company adopted the Share Option Scheme on 15 December 2011 for the purpose of giving certain eligible persons an opportunity to have a personal stake in the Company and motivating them to optimize their future performance and efficiency to the Group and/or rewarding them for their past contributions, and attracting and retaining, or otherwise maintaining on-going relationships with, such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, i.e. 80,000,000 Shares. The maximum number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to any one person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before 28 days after the date that the Board meeting proposes such grant (the "Offer Date"). The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the Offer Date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the Offer Date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting option granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme. The remaining life of the Share Option Scheme is 6 years. There were no outstanding options, and there were no options granted, exercised, lapsed or cancelled pursuant to the Share Option Scheme during the Year and as at the date of this report. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 77,500,000, representing approximately 4.82% of the issued share capital of the Company.

Arrangement for Directors to Purchase Shares or Debentures

Save as disclosed in "Share Option Schemes" above, at no time during the Year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as is known to any Director or chief executive officer of the Company, as at 31 December 2016, the persons or corporations (other than Director or chief executive officer of the Company) who had interests or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in the Company

Name	Capacity/Nature of Interest	Number of Shares	Number of Underlying Shares	Approximate percentage of issued share capital
Huayou Holdings [1]	Beneficial owner	1,198,500,000	—	74.67%
Chen Chun'er [2]	Beneficial owner	—	2,000,000 [3]	0.12% [6]
	Spouse's interest	1,198,500,000 [4]	—	74.67%
		—	3,000,000 [5]	0.18% [6]

Notes:

(1) Huayou Holdings is wholly-owned by Mr. Zhou Minfeng.

(2) Spouse of Mr. Zhou Minfeng.

(3) Underlying shares subject to option under the Pre-IPO Share Option Scheme.

(4) Shares held by Huayou Holdings Company, in which Mr. Zhou is deemed to be interested by virtue of Huayou Holdings being wholly-owned by Mr. Zhou Minfeng.

(5) Shares subject to options granted to Mr. Zhou Minfeng under the Pre-IPO Share Option Scheme.

(6) Calculated based on the number of issued Shares taking into account the Shares which may be allotted and issued to all grantees upon their full exercise of the options under the Pre-IPO Share Option Scheme and Share Option Scheme as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, the Directors and the chief executive officer of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Direct or indirect interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Shareholder	Approximate percentage of shareholding
Shanghai Huaxin	Shanghai Automobile Air Conditioner Factory* (上海汽車空調器廠)	30%
Shanghai Huaxin	Shanghai Beicai Industrial Co., Ltd. (上海北蔡工業有限公司)	19%
Changxing Huaxin Automobile Latex and Plastic Co., Ltd ("Changxing Huaxin") (1)	Shanghai Automobile Air Conditioner Factory* (上海汽車空調器廠)	30%
Changxing Huaxin (1)	Shanghai Beicai Industrial Co., Ltd. (上海北蔡工業有限公司)	19%

Note:

(1) Shanghai Automobile Air Conditioner Factory* (上海汽車空調器廠) and Shanghai Beicai Industrial Co., Ltd. (上海北蔡工業有限公司) directly hold 30% and 19% interests in Shanghai Huaxin, respectively. Changxing Huaxin is wholly-owned by Shanghai Huaxin and as a result, Shanghai Automobile Air Conditioner Factory* (上海汽車空調器廠) and Shanghai Beicai Industrial Co., Ltd. (上海北蔡工業有限公司) also indirectly hold 30% and 19% interests in Changxing Huaxin, respectively.

Save as disclosed above, as at 31 December 2016, the Directors and the chief executive officer of the Company are not aware of any other person or corporation who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Term Loan Facility And Specific Performance Obligation

On 22 August 2016, the Company's wholly-owned subsidiary, Huayou Investment (Hong Kong) Limited, as a borrower (the "Borrower") entered into a facility agreement ("Facility Agreement") relating to a USD17,000,000 term loan facility ("Loan Facility") with a licensed bank in Hong Kong. The final maturity date of the Loan Facility shall be the date falling 3 years from 22 August 2016.

Pursuant to the Facility Agreement, the Loan Facility will be cancelled and all outstanding under Loan Facility should be payable immediately upon Mr. Zhou Minfeng ("Mr. Zhou") ceases to maintain in aggregate at least 51% direct or indirect equity interest in the Borrower. As at the date of this report, Mr. Zhou indirectly owned approximately 74.67% of the issued share capital of the Borrower.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

Connected Transactions

During the Year, the Group had following connected transaction:

Land Rezoning Agreement and Acquisition of Land

On 16 June 2016, Ningbo Huazhong Plastic Products Co., Ltd.* ("Huazhong Plastic"), a wholly-owned subsidiary of the Company, entered into the land rezoning agreement (the "Land Rezoning Agreement") with Ningbo Lawrence Automotive Interior Co., Ltd. ("Lawrence"), Huaxiang Group Co., Ltd.* ("Huaxiang Group") and Ningbo Huaxiang Electronic Co., Ltd.* ("Ningbo Huaxiang"). As the zoning of the lands owned by Lawrence, Huaxiang Group, Ningbo Huaxiang and Huazhong Plastic located in Jidian Industrial Area, Xizhou Town, Ningbo City, Zhejiang Province has been changed from field roads to urban road networks, the Xiangshan Land and Resources Bureau will implement a replanning and rezoning on all the lands owned by the aforesaid companies based on the actual use of the existing lands.

As a result of the rezoning, Huazhong Plastic will acquire 29,058.99 square meters of land from Huaxiang Group at a consideration of RMB14,820,036.69 (equivalent to approximately HK$17,487,643.29).

At the time of entering the Land Rezoning Agreement, Huaxiang Group was owned as to 89.758% by Mr. Zhou Cimei (father of Mr. Zhou Minfeng), 9.162% by Ms. Lai Cairong (mother of Mr. Zhou Minfeng), 0.3% by Ms. Zhang Songmei, 0.75% by Mr. Zhou Zhaodi and 0.03% by Ms. Lai Suzhen. Huaxiang Group was therefore a connected person of the Company under the Listing Rules. Lawrence was beneficially owned as to 100% by Mr. Zhou Xiaofeng (younger brother of Mr. Zhou Minfeng) and was therefore a connected person of the Company under the Listing Rules. Ningbo Huaxiang was regarded as a related party of the Company under the International Financial Reporting Standards but it was not a connected person of the Company under the Listing Rules. Accordingly, the purchase of the land by Huazhong Plastic from Huaxiang Group constituted a connected transaction for the Company under the Listing Rules.

The Huaxiang Industrial Park has been basically shaped after ten year's construction. Since the requisition approval process then was in stages and in batches, and each zone of land was determined based on the ridge between fields and was in irregular shape, whereas the constructions of the factories of the companies were implemented based on planning, the road network and the situation of the buildings were mismatched with the actual area of each zone which caused an inconsistency between land certificates and property ownership certificates, which in turn resulted in unclear property rights and to a certain extent affected the normal operation of the companies.

The Directors were of the view that the Land Rezoning Agreement was beneficial to the development of the principal business of the Company and was in line with its business strategies and interests as a whole.

The Directors were of the view that the terms and conditions of the Land Rezoning Agreement were fair and reasonable and were in the interests of the Company and its Shareholders as a whole.

Since the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules calculated with reference to the purchase of the land are, in aggregate, over 0.1% but less than 5%, the connected transaction in relation to the purchase of the land is subject to the annual review and all disclosure requirements but exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

Resolutions of the Board in respect of the rezoning of the land were passed on 16 June 2016. Mr. Zhou Minfeng and his mother, Ms. Lai Cairong, having material interest in the transaction, were abstained from voting pursuant to the Listing Rules.

Related Party Transactions

The related party transactions as disclosed in note 38 to the financial statements in respect of items denoted with "Δ" and item disclosed in Note 38(c) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements (if applicable) in accordance with Chapter 14A of the Listing Rules.

Non-Compete Undertakings

Each of the controlling Shareholders has confirmed to the Company of his/its compliance with the non-compete undertakings provided to the Company under the Deed of Non-Competition (as defined in the Prospectus) during the year ended 31 December 2016. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling Shareholders.

Directors' Interest in Competing Business

None of the Directors is or was interested in any business, apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Year.

Management Contracts

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

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles or the laws of Cayman Islands where the Company is incorporated applicable to the Company.

Emolument Policy

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically.

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted two share option schemes to motivate and reward its Directors and eligible employees. Details of these schemes are set out in the paragraph headed "Share Option Schemes" above and details of the Pre-IPO Share Option Scheme are set out in note 32 to the financial statements.

Pension Scheme

The employees of the Group's subsidiaries which operate in China are required to participate in defined contribution central pension schemes operated by the local municipal government. The subsidiaries of the Group are required to contribute certain percentages of its payroll costs to the central pension schemes. The contributions are charged to the consolidated income statements as they become payable in accordance with the rules of the central pension schemes.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

Major Customers and Suppliers

Aggregate sales to the Group's largest and five largest customers accounted for 28.5% (2015: 33.3%) and 58.8% (2015: 63.8%), respectively, of the Group's total revenue from operations.

Aggregate purchases from the Group's largest and five largest suppliers accounted for 8% (2015: 13.3%) and 14% (2015: 33.3%), respectively, of the Group's total purchases from suppliers.

At no time during the Year, did a Director, his/her close associate(s) or a Shareholder, which to the knowledge of the Director owns more than 5% of the Company's share capital, have an interest in any of the Group's five largest customers and suppliers.

Auditors

Ernst & Young will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the Year.

Bank Loans

Details of bank loans of the Company and the Group as at 31 December 2016 are set out in note 28 to the financial statements.

On behalf of the Board
Zhou Minfeng
Chairman

30 March 2017

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To the shareholders of Huazhong In-Vehicle Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Huazhong In-Vehicle Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 51 to 134, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of investment in a joint venture	
Changchun Huaxiang Faurecia, a 50% equity joint venture of the Group, has been suffering losses since 2011. There is a risk of impairment of the Group's investment in this joint venture. The recoverable amount of the investment in the joint venture is determined using a discounted cash flow model. Key assumptions and methodologies adopted by the Group in the model have a significant effect on the determination of the recoverable amount. Related disclosures are included in Note 4 "Significant accounting judgements, estimates and assumptions" and Note 20 "Investments in Joint Ventures" to the consolidated financial statements.	We performed the following procedures in relation to the impairment assessment: 1) Reviewed the discounted cash flow forecast and the key parameters and assumptions used, which included, among others, the period of cash flows with reference to the weighted remaining useful life of long-lived assets of the joint venture, revenue growth rate, EBIT ratio, working capital movement, terminal growth and discount rates. 2) Compared the 2016 actual operating results of the joint venture with its 2016 forecast prepared by management in 2015, discussed discrepancies with management and reviewed revised forecast. 3) Re-calculated the impairment assessment performed by management.

Key audit matter	How our audit addressed the key audit matter
Provision assessment for inventories	
As at 31 December 2016, the Group had inventories of RMB312,699,000 and the related provision of RMB17,124,000, which were significant to the consolidated statement of financial position. Due to the large volume of inventories and the use of judgement and estimates in assessing their recoverable amount at year end, the provision assessment for inventories was identified as a key audit matter. Related disclosures are included in Note 4 "Significant accounting judgements, estimates and assumptions" and Note 22 "Inventories" to the consolidated financial statements.	We performed the below procedures in relation to the provision assessment for inventories: 1) Obtained an understanding of the Group's inventory provision policy and checked the calculation of the inventory provision based on the Group's policy. We evaluated management's assumptions used to calculate the provision by checking the ageing analysis of inventories, subsequent sales and usage of inventories on a sampling basis. 2) Tested slow moving and obsolete inventory items during inventory observation as at the year end.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lawrence K.W. Lau.

Ernst & Young
Certified Public Accountants
Hong Kong

30 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	6	**1,738,891**	1,635,565
Cost of sales		**(1,260,153)**	(1,239,432)
Gross profit		**478,738**	396,133
Other income and gains	6	**22,847**	12,254
Selling and distribution expenses		**(117,418)**	(94,348)
Administrative expenses		**(198,454)**	(177,006)
Other expenses		**(10,668)**	(91)
Operating profit		**175,045**	136,942
Share of profits and losses of:			
An associate	19	**(12)**	(199)
Joint ventures	20	**14,377**	1,785
Finance income	7	**10,345**	7,824
Finance costs	8	**(47,296)**	(41,731)
PROFIT BEFORE TAX	9	**152,459**	104,621
Income tax expense	12	**(41,957)**	(29,745)
PROFIT FOR THE YEAR		**110,502**	74,876
Attributable to:			
Owners of the parent		**104,907**	69,404
Non-controlling interests		**5,595**	5,472
		110,502	74,876
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic			
— For profit for the year		**RMB0.0654**	RMB0.0433
Diluted			
— For profit for the year		**RMB0.0649**	RMB0.0428

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
PROFIT FOR THE YEAR	**110,502**	74,876
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**326**	(403)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**326**	(403)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**326**	(403)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**110,828**	74,473
Attributable to:		
Owners of the parent	**105,233**	69,001
Non-controlling interests	**5,595**	5,472
	110,828	74,473

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**587,074**	551,502
Investment properties	16	**33,876**	36,384
Prepaid land lease payments	17	**173,399**	156,025
Intangible assets	18	**4,382**	4,363
Investment in an associate	19	**2,004**	2,016
Investments in joint ventures	20	**105,641**	63,787
Prepayments for acquiring property, plant and equipment		**55,927**	47,721
Available-for-sale investment	21	**15,000**	—
Prepayments for an available-for-sale investment		**—**	25,000
Deferred tax assets	30	**16,177**	18,045
Total non-current assets		**993,480**	904,843
CURRENT ASSETS			
Inventories	22	**295,575**	287,035
Trade and notes receivables	23	**568,277**	578,972
Prepayments and other receivables	24	**166,407**	114,201
Due from related parties	38(d)	**137,122**	49,970
Pledged deposits	25	**87,516**	102,074
Cash and cash equivalents	25	**187,987**	200,607
Total current assets		**1,442,884**	1,332,859
CURRENT LIABILITIES			
Trade and notes payables	26	**590,648**	516,149
Other payables, advances from customers and accruals	27	**190,752**	174,378
Interest-bearing bank borrowings	28	**509,388**	564,582
Due to the ultimate controlling shareholder	38(d)	**3,603**	652
Due to related parties	38(d)	**51,085**	44,867
Income tax payable		**54,814**	66,704
Total current liabilities		**1,400,290**	1,367,332
NET CURRENT ASSET/(LIABILITIES)		**42,594**	(34,473)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,036,074**	870,370
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	**282,332**	232,930
Government grants	29	**8,884**	9,443
Deferred tax liabilities	30	**29,212**	20,064
Total non-current liabilities		**320,428**	262,437
Net assets		**715,646**	607,933
EQUITY			
Equity attributable to owners of the parent			
Issued capital	31	**128,587**	128,587
Reserves	33	**553,263**	448,030
		681,850	576,617
Non-controlling interests		**33,796**	31,316
Total equity		**715,646**	607,933

Zhou Minfeng
Director

Chang Jingzhou
Director

	Attributable to owners of the parent										
	Share capital	Share premium	Capital reserve	Statutory reserve funds	Merger reserve	Share option reserve	Exchange fluctuation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2015	65,120	84,024	5,580	29,903	88,278	9,471	(2,558)	228,292	508,110	28,912	537,022
Profit for the year	—	—	—	—	—	—	—	69,404	69,404	5,472	74,876
Other comprehensive income for the year:											
Exchange differences related to foreign operations	—	—	—	—	—	—	(403)	—	(403)	—	(403)
Total comprehensive income for the year	—	—	—	—	—	—	(403)	69,404	69,001	5,472	74,473
Exercise of share options	411	4,904	—	—	—	(1,206)	—	—	4,109	—	4,109
Bonus issue	63,056	(63,056)	—	—	—	—	—	—	—	—	—
Dividends	—	(5,842)	—	—	—	—	—	—	(5,842)	—	(5,842)
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(3,068)	(3,068)
Transfer to statutory reserve funds	—	—	—	4,445	—	—	—	(4,445)	—	—	—
Equity-settled share option arrangements (Note 32)	—	—	—	—	—	1,239	—	—	1,239	—	1,239
As at 31 December 2015	128,587	20,030*	5,580*	34,348*	88,278*	9,504*	(2,961)*	293,251*	576,617	31,316	607,933
As at 1 January 2016	128,587	20,030	5,580	34,348	88,278	9,504	(2,961)	293,251	576,617	31,316	607,933
Profit for the year	—	—	—	—	—	—	—	104,907	104,907	5,595	110,502
Other comprehensive income for the year:											
Exchange differences related to foreign operations	—	—	—	—	—	—	326	—	326	—	326
Total comprehensive income for the year	—	—	—	—	—	—	326	104,907	104,907	5,595	110,828
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(3,115)	(3,115)
Transfer to statutory reserve funds and discretionary surplus reserve	—	—	—	10,093	—	—	—	(10,093)	—	—	—
As at 31 December 2016	128,587	20,030*	5,580*	44,441*	88,278*	9,504*	(2,635)*	388,065*	681,850	33,796	715,646

* These reserve accounts comprise the consolidated reserves of RMB553,263,000 (2015: RMB448,030,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Cash flows from operating activities:			
Profit before tax		**152,459**	104,621
Adjustments for:			
Finance costs	8	**47,296**	41,731
Share of profits and losses of joint ventures and an associate		**(14,365)**	(1,586)
Interest income	7	**(10,345)**	(7,824)
Gain on disposal of items of property, plant and equipment	6	**(7,841)**	(150)
Release of government grants	29	**(1,118)**	(672)
Depreciation of property, plant and equipment	15	**81,158**	58,966
Depreciation of investment properties	16	**2,508**	2,508
Amortisation of prepaid land lease payments	17	**3,890**	3,743
Amortisation of intangible assets	18	**440**	939
Equity-settled share option expense		**—**	1,239
Impairment of intangible assets	18	**—**	750
Write-down of inventories to net realisable value		**2,704**	2,267
Reversal of impairment of receivables	23	**(1,513)**	(6,357)
Increase in inventories		**(11,555)**	(42,475)
Decrease/(increase) in trade and notes receivables		**12,206**	(102,607)
Increase in prepayments and other receivables		**(20,784)**	(6,181)
(Increase)/decrease in amounts due from related parties		**(160,468)**	50,347
Increase in trade and notes payables		**84,336**	16,650
Increase in other payables, advances from customers and accruals		**25,051**	20,740
Decrease/(increase) in amounts due to related parties		**9,818**	(39,049)
Decrease in amounts due to the controlling shareholder		**(649)**	(219)
Decrease in pledged deposits		**28,858**	4,592
Cash generated from operations		**222,087**	101,973
Income tax paid		**(42,730)**	(23,398)
Net cash flows generated from operating activities		**179,357**	78,575

	Notes	2016 RMB'000	2015 RMB'000
Cash flows from investing activities:			
Interest received		**9,680**	6,091
Purchases of items of property, plant and equipment		**(106,702)**	(121,695)
Purchases of items of land use right		**(27,202)**	—
Purchases of items of intangible assets	18	**(143)**	(1,642)
Proceeds from disposal of items of property, plant and equipment		**16,471**	43,799
Purchase of available-for-sale investments		**(35,000)**	(25,000)
Proceeds from government grants	29	**588**	211
Dividends received from a joint venture		**—**	5,000
Advances to related parties	38(b)	**—**	(18,316)
Recovery of advances to related parties	38(b)	**18,316**	—
Entrusted loans to a related party	38(b)	**—**	(55,000)
Recovery of entrusted loans to a related party	38(b)	**55,000**	—
Disposal of a subsidiary	35	**(5,710)**	—
Decrease/(increase) in non-pledged time deposits with original maturity of three months or more when acquired		**2,105**	(53,365)
Additional investment in a joint venture		**(40,000)**	—
Net cash flows used in investing activities		**(110,496)**	(219,917)
Cash flows from financing activities:			
Proceeds from shares issued		**—**	4,109
New bank loans		**970,419**	970,300
Repayment of bank loans		**(982,983)**	(844,670)
Interest paid		**(47,296)**	(41,731)
Dividends paid		**—**	(1,461)
Dividends paid to non-controlling shareholders		**(3,115)**	(3,068)
(Increase)/decrease in pledged deposits		**(14,300)**	7,580
Net cash flows (used in)/generated from financing activities		**(77,275)**	91,059
Net decrease in cash and cash equivalents		**(10,515)**	(50,283)
Cash and cash equivalents at beginning of year		**75,987**	126,270
Cash and cash equivalents at end of year		**65,472**	75,987

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the consolidated statement of cash flows		**65,472**	75,987
Cash and bank balances	25	**65,472**	75,987
Non-pledged time deposits with original maturity of three months or more when acquired	25	**122,515**	124,620
Cash and cash equivalents as stated in the consolidated statement of financial position		**187,987**	200,607

1. Corporate and Group Information

The Company is a limited liability company incorporated in the Cayman Islands on 3 December 2010. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. BOX 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 January 2012 (the "Listing Date").

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the manufacture and sale of automobile internal and external structural and decorative parts, moulds and tooling, casing and liquid tanks of air-conditioning or heater units and other non-automobile products, such as top cowl covers and office chairs.

In the opinion of the directors of the Company, the holding company of the Company is Huayou Holdings Company Limited ("Huayou Holdings"), which is incorporated in the British Virgin Islands ("BVI").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Percentage of equity interest attributable to the Company		Issued ordinary/ registered share capital	Principal activities
		Direct	Indirect		
Subsidiaries					
Huazhong Investment Company Limited ("Huazhong Investment")	BVI	100%	—	US$1	Investment holding
Huayou Investment (Hong Kong) Limited ("Huayou Investment")	Hong Kong	—	100%	HK$1	Investment holding
Ningbo Huazhong plastic Products Co., Ltd. ("Ningbo Huazhong Plastic")	PRC/Mainland China	—	100%	US$5,000,000	Manufacture and sale of Plastic automotive products
Ningbo Xinxing Automobile Plastic Parts Manufacturing Co., Ltd. ("Ningbo Xinxing")	PRC/Mainland China	—	100%	RMB3,400,000	Manufacture and sale of plastic automotive products

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Percentage of equity interest attributable to the Company Direct	Indirect	Issued ordinary/ registered share capital	Principal activities
Changchun Huateng Automobile Parts Co., Ltd. ("Changchun Huateng")	PRC/Mainland China	—	100%	RMB1,000,000	Manufacture and sale of plastic automotive products
Changchun Huaxiang Automobile Plastic Parts Manufacturing Co., Ltd. ("Changchun Huaxiang")	PRC/Mainland China	—	100%	RMB75,000,000	Manufacture and sale of plastic automotive products
Ningbo Huazhong Moulding Manufacturing Co., Ltd. ("Ningbo Huazhong Moulding")	PRC/Mainland China	—	100%	RMB10,000,000	Design, manufacture, and processing of moulds
Guangzhou Huazhong Automobile Decorative Parts Co., Ltd. ("Guangzhou Huazhong")	PRC/Mainland China	—	100%	RMB3,000,000	Manufacture and sale of plastic automotive products
Chongqing Huazhong Automobile Decorative Parts Co., Ltd. ("Chongqing Huazhong")	PRC/Mainland China	—	100%	RMB63,000,000	Manufacture and sale of plastic automotive products
Chengdu Huazhong Automobile Parts Co., Ltd. ("Chengdu Huazhong")	PRC/Mainland China	—	100%	RMB20,000,000	Manufacture and sale of plastic automotive products
Ningbo Huafeng Plastic and Latex Products Co., Ltd. ("Ningbo Huafeng")	PRC/Mainland China	—	100%	RMB1,500,000	Manufacture and sale of plastic automotive products

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Percentage of equity interest attributable to the Company Direct	Indirect	Issued ordinary/ registered share capital	Principal activities
Wuhu Huazhong Automotive Parts Co., Ltd. ("Wuhu Huazhong")	PRC/Mainland China	—	100%	RMB10,000,000	Manufacture and sale of plastic automotive products
Yantai Huaxiang Automotive Parts Co., Ltd. ("Yantai Huaxiang")	PRC/Mainland China	—	100%	RMB10,000,000	Manufacture and sale of plastic automotive products
Shanghai Huaxin Automobile Latex and Plastic Co., Ltd. ("Shanghai Huaxin")	PRC/Mainland China	—	51%	RMB28,000,000	Import and export of products and technologies (except for the products and technologies restricted or prohibited by the state); sale and processing of plastic and latex products and spare and accessory parts
Changxing Huaxin Automobile Latex and Plastic Co., Ltd. ("Changxing Huaxin")	PRC/Mainland China	—	100%	RMB3,000,000	Manufacture and sale of plastic automotive products
Foshan Huazhong Automotive Parts Co., Ltd. ("Foshan Huazhong")	PRC/Mainland China	—	100%	RMB20,000,000	Manufacture and sale of plastic parts and automotive parts
HZ FBZ Formenbau Züttlingen GmbH ("HZ FBZ")	Germany	100%	—	EUR1,000,000	Manufacture and sale of moulds

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Percentage of equity interest attributable to the Company Direct	Indirect	Issued ordinary/ registered share capital	Principal activities
Ningbo Huazhong Automotive Parts Co., Ltd. ("Hangzhou Bay Huazhong")	PRC/Mainland China	50%	50%	US$7,016,000/ US$25,000,000	Manufacture and sale of plastic parts and automotive parts
Xinxiang Huateng Automotive Parts Co., Ltd. ("Xinxiang Huateng")	PRC/Mainland China	—	100%	Nil/RMB1,000,000	Manufacture, assembling and sale of automotive parts
Ningbo Huazhong Holdings Co., Ltd. ("Ningbo Huazhong Holdings")	PRC/Mainland China	—	100%	RMB5,000,000	Manufacture and sale of plastic parts and automotive parts
Ningbo Huatai In-Vehicle Technology Co., Ltd. ("Ningbo Huatai")	PRC/Mainland China	—	60%	RMB5,000,000/ RMB30,000,000	Development, manufacture and sale of in-vehicle system and equipment
Nanchang Huayue Plastic Products Company Co., Ltd. ("Nanchang Huayue")	PRC/Mainland China	—	100%	Nil/RMB2,000,000	Manufacture and sale of plastic automotive products
Qingdao Huazhong Automotive Parts Co., Ltd. ("Qingdao Huazhong")	PRC/Mainland China	—	100%	RMB6,610,000/ RMB10,000,000	Manufacture and sale of plastic parts and automotive parts

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Percentage of equity interest attributable to the Company Direct	Indirect	Issued ordinary/ registered share capital	Principal activities
Tianjin Huayou Automotive Parts Co., Ltd. ("Tianjin Huayou")	PRC/Mainland China	—	100%	Nil/RMB20,000,000	Manufacture and sale of plastic parts and automotive parts
Ningbo Huazhong In-Vehicle Technology Co., Ltd. ("In-Vehicle Technology")	PRC/Mainland China	—	100%	Nil/RMB5,000,000	Development, manufacture and sale of in-vehicle system and equipment
Changchun Yuehong Investment Co., Ltd. ("Changchun Yuehong")	PRC/Mainland China	—	100%	Nil/RMB5,000,000	Investment, Consulting, Manufacturing, design and sales of automotive parts
Ningbo Chunfeng Investment Co., Ltd. ("Ningbo Chunfeng")	PRC/Mainland China	—	100%	Nil/RMB5,000,000	Investment, Consulting, Manufacturing, design and sales of automotive parts

The financial statements of these companies were not audited by Ernst & Young, Hong Kong, or another member firm of the Ernst & Young global network.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared on a historical cost convention. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise indicated.

2.1 Basis of Preparation *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

The adoption of the above revised standards has had no significant financial effect on these financial statements.

2.3 Issued but not yet Effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

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

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

2.3 Issued but not yet Effective International Financial Reporting Standards *(continued)*

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

2.3 Issued but not yet Effective International Financial Reporting Standards *(continued)*

IFRS 16 replaces IAS 17 *Leases*, IFRIC-4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

3. Summary of Significant Accounting Policies

Investments in associates and joint ventures

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5.

3. Summary of Significant Accounting Policies *(continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value either recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

3. Summary of Significant Accounting Policies *(continued)*

Fair value measurement

The Group measures its freehold land at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. Summary of Significant Accounting Policies *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consist with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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 Group or an entity related to the Group;
- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. Summary of Significant Accounting Policies *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

	Estimated useful lives
Freehold land	Not depreciated
Plant and buildings	20-30 years
Machinery	5-15 years
Motor vehicles	4-6 years
Furniture and fixtures	3-8 years
Tooling	3 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net disposal proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3. Summary of Significant Accounting Policies *(continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. After initial recognition, the Group chooses the cost model to measure all of its investment properties.

Depreciation is calculated on the straight-line basis to write off the cost to its residual value over its estimated useful life. The estimated useful lives are as follows:

Buildings	20 to 30 years

The carrying amounts of investment properties measured using the cost method are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Purchased software

Purchased software is stated at cost less any impairment losses and is amortised using the straight-line basis over the estimated life of 3-10 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

3. Summary of Significant Accounting Policies *(continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are recognised as expenses on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

3. Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

Available-for-sale financial investments (continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

3. Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

3. Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to the ultimate controlling shareholder and related parties and interest-bearing bank borrowings.

Subsequent measurement

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

3. Summary of Significant Accounting Policies *(continued)*

Financial liabilities *(continued)*

Subsequent measurement *(continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3. Summary of Significant Accounting Policies *(continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provision for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, an associate and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, an associate and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3. Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership and title have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) dividend income, when the shareholders' right to receive payment has been established.

3. Summary of Significant Accounting Policies *(continued)*

Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in Note 32 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Company grants the share options to its subsidiaries' employees to exchange for their services provided to the subsidiaries. Accordingly, in the Company's statement of financial position, the equity-settled share option expense, which is recognised in the consolidated financial statements, is treated as part of the "investments in subsidiaries".

3. Summary of Significant Accounting Policies *(continued)*

Other employee benefits

Pension scheme — Mainland China

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Pension scheme — Hong Kong

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pension schemes — Germany

The Group contributes on a monthly basis to a defined contribution plan organised by the governmental authority in Germany. The Group's liability in respect of this plan is limited to the contributions payable at the end of each period. Contributions to these plans are expensed as incurred.

Borrowing costs

Borrowings costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. Summary of Significant Accounting Policies *(continued)*

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and an associate are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Operating lease commitments — Group as lessor

The Group has entered into plant and building leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years, are described below.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Details of unrecognised tax losses as at the end of the reporting period are contained in Note 30 to the financial statements.

Provision for impairment of trade and notes receivables

The provision policy for impairment of trade and notes receivables is based on ongoing evaluation of the collectability and aged analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. Further details are contained in Note 23.

4. Significant Accounting Judgements, Estimates and Assumptions *(continued)*

Estimates and assumptions *(continued)*

Provision for slow-moving inventories and net realisable value of inventories

Management reviews the aged analysis of inventories of the Group at the end of each reporting period, and makes a provision for slow-moving inventory items. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. Write-down of inventories to net realisable value is made based on the estimated net realisable value of inventories. The assessment of the write-down amount requires management's estimates and judgement. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of inventories and write-down/write-back of inventories in the period in which such estimate has been changed.

Impairment of non-financial assets (other than freehold land)

The Group assesses whether there are any indicators of impairment for all non-financial assets as at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Recognition of share-based compensation costs

As further disclosed in Note 32, the Company has granted share options to its employees. The directors of the Company have used the binomial option pricing model, where appropriate, to determine the total fair value of the options granted, which is expensed over the vesting period. Significant estimates, such as the risk-free rate, dividend yield, expected volatility and expected life of options, are required to be made by the directors of the Company as the parameters for applying the option pricing model. The Company engaged Asset Appraisal Limited and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent appraisers, to perform appraisal on the fair value of the Company's share options granted during the years ended 31 December 2011 and 31 December 2015, respectively.

The grant of equity instruments might be conditional upon satisfying specified vesting conditions, mainly including the service period. Significant management judgement is required to take into account the vesting conditions and adjust the number of equity instruments included in the measurement of share-based compensation costs. Determining the number of equity instruments that eventually vest requires management to make assumptions regarding the profit forecast, and hence it is subject to uncertainty.

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

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. Depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

5. Segment Information

For management purposes, the Group is organised into one single business unit that is primarily the manufacture and sale of internal and external decorative and structural automobile parts, moulds and tooling, casing and liquid tanks of air-conditioning or heater units and other non-automobile products. Management reviews the consolidated results when making decisions about allocating resources and assessing the performance of the Group. Accordingly, no segment analysis is presented.

Geographical information

(a) Revenue from external customers

An analysis of the Group's geographical information on revenue on the basis of the customers' locations is set out in the following table:

	2016 RMB'000	2015 RMB'000
Mainland China	1,595,277	1,500,526
Overseas	143,614	135,039
Total	1,738,891	1,635,565

(b) Non-current assets

	2016 RMB'000	2015 RMB'000
Mainland China	942,995	852,905
Overseas	34,308	33,893
Total	977,303	886,798

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

Revenues from sales to customers that individually amounted to 10 percent or more of the Group's revenue for the year are set out in the following table:

Company	2016 RMB'000	2015 RMB'000
Customer A	496,157	544,633
Customer B	182,060	149,937

The above sales to major customers include sales to a group of entities which are known to be under common control with those customers.

6. Revenue and Other Income

An analysis of revenue and other income is as follows:

	2016 RMB'000	2015 RMB'000
Revenue:		
Sales of goods	1,668,719	1,572,317
Sales of materials	70,172	63,248
	1,738,891	1,635,565
Other income and gains:		
Government grants	1,936	1,407
Rental income	10,470	7,452
Gain on sales of scrap materials	638	901
Gain on disposal of items of property, plant and equipment	7,841	150
Others	1,962	2,344
Total	22,847	12,254

7. Finance Income

	2016 RMB'000	2015 RMB'000
Interest income on bank deposits	10,345	7,824

8. Finance Costs

	2016 RMB'000	2015 RMB'000
Interest expense on bank loans and borrowings	47,296	41,731

9. Profit before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	2016 RMB'000	2015 RMB'000
Cost of inventories recognised	**1,260,153**	1,239,432
Depreciation of property, plant and equipment	**81,158**	58,966
Depreciation of investment properties	**2,508**	2,508
Amortisation of land lease payments	**3,890**	3,743
Amortisation of intangible assets	**440**	939
Research and development costs	**57,233**	49,723
Lease payments under operating leases in respect of properties	**13,192**	8,956
Auditors' remuneration	**2,500**	3,000
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**195,665**	176,338
Pension scheme costs	**14,013**	13,115
Equity-settled share option expense	**—**	1,239
	209,678	190,692
Gross rental income	**(13,929)**	(10,334)
Less: Direct expenses for generating rental income	**3,459**	2,882
Rental income, net	**(10,470)**	(7,452)
Net foreign exchange losses	**5,597**	4,733
Reversal of impairment of trade receivables	**(1,513)**	(6,357)
Write-down of inventories to net realisable value	**2,704**	2,267
Impairment of intangible assets	**—**	750
Gain on disposal of items of property, plant and equipment	**(7,841)**	(150)
Government grants	**(1,936)**	(1,407)
Interest income	**(6,736)**	(7,824)

10. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 RMB'000	2015 RMB'000
Fees	**2,390**	2,130
Other emoluments:		
Salaries, allowances and benefits in kind	**1,981**	694
Equity-settled share option expense	**—**	1,218
Pension scheme contributions	**34**	15
	2,015	1,927
	4,405	4,057

During the years ended 31 December 2011 and 31 December 2015, certain directors of the Company were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in Note 32 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2016 RMB'000	2015 RMB'000
Mr. Tian Yushi	**215**	194
Mr. Yu Shuli	**215**	201
Mr. Xu Jiali	**215**	201
Mr. Wong Luen Cheung Andrew	**768**	232
	1,413	828

On 15 April 2015, Mr. Wong Luen Cheung Andrew was granted 2,500,000 share options under the share option scheme adopted by the Company on 15 December 2011. With the effect from the completion of a bonus issue on 19 June 2015, the number of share options granted to Mr. Wong was adjusted to 5,000,000. The fair value of such options amounted to RMB1,206,000, which has been recognised in profit or loss during the year ended 31 December 2015 and was determined as at the date of grant.

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

10. Directors' and Chief Executive's Remuneration *(continued)*

(b) Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2016					
Executive director and chief executive:					
Mr. Liu Genyu	—	1,267	—	16	1,283
Executive director:					
Mr. Zhou Minfeng	—	372	—	13	385
Mr. Chang Jingzhou	—	342	—	5	348
	—	1,981	—	34	2,015
Non-executive directors:					
Ms. Lai Cairong	187	—	—	—	187
Ms. Guan Xin	215	—	—	—	215
Mr. He Jifeng	360	—	—	—	360
Mr. Wang Yuming	215	—	—	—	215
	977	—	—	—	977

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2015					
Executive director and chief executive:					
Mr. Zhou Minfeng	—	375	3	11	389
Executive director:					
Mr. Chang Jingzhou	—	319	1	4	324
	—	694	4	15	713
Non-executive directors:					
Ms. Lai Cairong	194	—	8	—	202
Ms. Guan Xin	194	—	—	—	194
Mr. He Jifeng	720	—	—	—	720
Mr. Wang Yuming	194	—	—	—	194
	1,302	—	8	—	1,310

There was no arrangement under which a director of the Company or the chief executive waived or agreed to waive any remuneration during the year.

11. Five Highest Paid Employees

The five highest paid employees during the year included three directors of the Company and the chief executive (2015: two directors of the Company and the chief executive), details of whose remuneration are set out in Note 10 above. Details of the remuneration for the year of the remaining two (2015: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	1,420	1,573
Pension scheme contributions	16	9
	1,436	1,582

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Numbers of employees	
	2016	2015
RMB1,000,000 to RMB2,000,000	1	—
Nil to RMB1,000,000	1	3
	2	3

12. Income Tax

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

No Hong Kong profits tax has been provided as there was no assessable profit earned in or derived from Hong Kong during the year.

All of the Group's subsidiaries registered in the PRC that have operations only in Mainland China are subject to PRC enterprise income tax ("EIT") at a rate of 25% on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws.

Pursuant to the relevant tax rules in the PRC, Chongqing Huazhong and Chengdu Huazhong were qualified as Western China development enterprises, and were entitled to a preferential rate of 15% during the year ended 31 December 2016. (2015: 15%)

In November 2016, Ningbo Huazhong Plastic Products Co., Ltd. ("Ningbo Huazhong Plastic") was accredited as a "High and New Technology Enterprise" for three years to enjoy a preferential rate of 15% for the years ended 31 December 2016 and the years ending 31 December 2017 and 2018 (2015: 25%).

Pursuant to the local tax rules in Germany, HZ FBZ Formenbau Zuttlingen GmbH ("HZ FBZ") was subject to a tax rate of 28.075% (2015: 28.075%) during the year ended 31 December 2016.

12. Income Tax *(continued)*

The major components of income tax expense of the Group are as follows:

	2016 RMB'000	2015 RMB'000
Current income tax		
Income tax for the year	**31,042**	33,130
Deferred income tax (Note 30)	**10,915**	(3,385)
Total tax charge for the year	**41,957**	29,745

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate for each of the years is as follows:

	2016 RMB'000	2015 RMB'000
Profit before tax	**152,459**	104,621
Tax at the statutory tax rate	**38,115**	26,155
Lower tax rate for specific provincial or local tax authority	**(3,738)**	(1,027)
Tax losses not recognised	**1,896**	10,920
Profits and losses attributable to joint ventures and an associate	**(3,591)**	(2,355)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**10,000**	1,000
Non-taxable income	**—**	(192)
Overprovision in prior years	**(215)**	(754)
Expenses not deductible for tax	**2,180**	3,134
Tax losses utilised	**(6,391)**	(1,924)
Effect on opening deferred tax of increase in rates	**3,701**	(5,212)
Tax charge for the year	**41,957**	29,745

13. Dividends

	2016 RMB'000	2015 RMB'000
Interim — Nil (2015: HK0.4429 cent per ordinary share)	—	5,842

No final dividend (2015: Nil) was proposed by the directors of the Company for the year ended 31 December 2016.

14. Earnings per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amount for the year is based on the consolidated net profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 1,605,000,000 in issue during the year ended 31 December 2016 (2015: 1,601,548,000).

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the share option scheme, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2016 RMB'000	2015 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	104,907	69,404
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,605,000,000	1,601,548,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	11,842,000	18,878,000
	1,616,842,000	1,620,426,000

15. Property, Plant and Equipment

	Plant and buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Tooling RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2016							
At 31 December 2015 and 1 January 2016:							
Cost or valuation	391,469	405,885	14,029	21,061	63,772	27,485	923,701
Accumulated depreciation and impairment	(66,558)	(229,815)	(9,379)	(16,790)	(49,657)	—	(372,199)
Net carrying amount	324,911	176,070	4,650	4,271	14,115	27,485	551,502
At 1 January 2016, net of accumulated depreciation and impairment	345,491	176,070	4,650	4,271	14,115	27,485	551,502
Additions	12,173	33,638	2,186	1,856	38,900	35,723	124,476
Transfers	31,070	11,787	—	167	—	(43,024)	—
Disposals	(260)	(5,772)	(1,448)	(712)	(410)	(28)	(8,630)
Depreciation provided during the year	(18,576)	(32,622)	(1,124)	(1,101)	(27,735)	—	(81,158)
Exchange realignment	531	396	2	1	—	(46)	884
At 31 December 2016, net of accumulated depreciation and impairment	349,849	183,497	4,266	4,482	24,870	20,110	587,074
At 31 December 2016:							
Cost or valuation	435,019	401,586	14,577	15,726	101,786	20,110	988,804
Accumulated depreciation and impairment	(85,170)	(218,089)	(10,311)	(11,244)	(76,916)	—	(401,730)
Net carrying amount	349,849	183,497	4,266	4,482	24,870	20,110	587,074

15. Property, Plant and Equipment *(continued)*

	Plant and buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Tooling RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2015							
At 31 December 2014 and 1 January 2015:							
Cost or valuation	381,762	334,507	10,834	19,170	44,805	14,325	805,403
Accumulated depreciation and impairment	(53,117)	(165,432)	(6,245)	(14,669)	(34,187)	—	(273,650)
Net carrying amount	328,645	169,075	4,589	4,501	10,618	14,325	531,753
At 1 January 2015, net of accumulated depreciation and impairment	328,645	169,075	4,589	4,501	10,618	14,325	531,753
Additions	11,694	70,790	1,709	1,239	15,317	23,432	124,181
Transfers	2,026	7,601	—	—	—	(9,627)	—
Disposals	606	(42,670)	(72)	—	(868)	(645)	(43,649)
Depreciation provided during the year	(17,019)	(27,957)	(1,570)	(1,468)	(10,952)	—	(58,966)
Exchange realignment	(1,041)	(769)	(6)	(1)	—	—	(1,817)
At 31 December 2015, net of accumulated depreciation and impairment	324,911	176,070	4,650	4,271	14,115	27,485	551,502
At 31 December 2015:							
Cost or valuation	391,469	405,885	14,029	21,061	63,772	27,485	923,701
Accumulated depreciation and impairment	(66,558)	(229,815)	(9,379)	(16,790)	(49,657)	—	(372,199)
Net carrying amount	324,911	176,070	4,650	4,271	14,115	27,485	551,502

Included in the property, plant and equipment as at 31 December 2016 were certain buildings with a net carrying value of RMB170,151,000 (2015: RMB257,083,000), of which the property certificates have not been obtained. The directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors of the Company are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2016.

The Group's land included in plant and buildings with a carrying amount of RMB5,518,000 (2015: RMB5,358,000) is situated in Germany and is held freehold.

Certain of the Group's buildings with a net carrying value of RMB10,655,000 as at 31 December 2016 (2015: RMB63,934,000) were pledged to secure bank loans granted to the Group (Note 28).

16. Investment Properties

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	**36,384**	38,892
Depreciation	**(2,508)**	(2,508)
Carrying amount at 31 December	**33,876**	36,384

The Group's investment properties are situated in Mainland China and on the land that is held under medium term leases.

The Group's investment properties consist of two industrial properties in China. The directors of the Company have determined that the investment properties consist of one class of asset based on the nature, characteristics and risk of each property. The fair value of the Group's investment properties was RMB66,000,000 as at 31 December 2016 (2015: RMB65,255,000), according to the valuation performed by an independent professionally qualified valuer.

Each year, the Group's property manager and the chief financial officer decide, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussion with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

The Group's investment properties are leased to related parties under operating leases, further summary details of which are included in Note 36.

Included in the investment properties as at 31 December 2016 were certain buildings with a net carrying value of RMB11,362,000 (2015: RMB12,604,000), of which the property certificates have not been obtained. The directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors of the Company are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2016.

The Group's investment properties with a net carrying value of RMB2,632,000 as at 31 December 2016 (2015: RMB3,006,000) were pledged to secure bank loans of the Group (Note 28).

Fair value hierarchy

The recurring fair value measurement for the Group's investment properties, which are industrial properties, is made using significant unobservable inputs (Level 3).

Below is a summary of the valuation technique used and the key inputs to the valuation of the investment properties:

	Valuation technique	Significant unobservable inputs
Industrial properties	Discounted cash flow method	Estimated rental value (per s.q.m. and per month) Rent growth (p.a.) Long term vacancy rate Discount rate

17. Prepaid Land Lease Payments

	2016 RMB'000	2015 RMB'000
At beginning of year	159,574	163,317
Addition	21,802	—
Amortisation	(3,890)	(3,743)
At end of year	177,486	159,574
Current portion included in prepayments and other receivables (Note 24)	(4,087)	(3,549)
At end of year	173,399	156,025

The leasehold land is situated in Mainland China and is held under medium term leases.

Included in the prepaid land lease payments as at 31 December 2016 were certain lands with a net book value of RMB10,596,000 (2015: RMB3,954,000), of which the land use right certificates have not been obtained. The directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned leasehold land. The directors of the Company are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2016.

Certain of the Group's prepaid land lease payments with a carrying value of RMB45,158,000 as at 31 December 2016 (2015: RMB68,481,000) were pledged to secure bank loans granted to the Group (Note 28).

18. Intangible Assets

	Software RMB'000	Development costs RMB'000	Total RMB'000
31 December 2016			
Cost at 1 January 2016, net of accumulated amortisation	4,311	52	4,363
Additions	143	—	143
Amortisation provided during the year	(426)	(14)	(440)
Exchange realignment	313	3	316
At 31 December 2016	4,341	41	4,382
At 31 December 2016:			
Cost	6,614	1,210	7,824
Accumulated amortisation and impairment	(2,586)	(1,172)	(3,758)
Exchange realignment	313	3	316
Net carrying amount	4,341	41	4,382

18. Intangible Assets *(continued)*

	Software RMB'000	Development costs RMB'000	Total RMB'000
31 December 2015			
Cost at 1 January 2015, net of accumulated amortisation	3,392	1,071	4,463
Additions	1,642	—	1,642
Amortisation provided during the year	(717)	(222)	(939)
Impairment during the year	—	(750)	(750)
Exchange realignment	(6)	(47)	(53)
At 31 December 2015	4,311	52	4,363
At 31 December 2015:			
Cost	6,593	1,210	7,803
Accumulated amortisation	(2,282)	(1,158)	(3,440)
Net carrying amount	4,311	52	4,363

19. Investment in an Associate

	2016 RMB'000	2015 RMB'000
Share of net assets	**2,004**	2,016

Particulars of the associate are as follows:

Name	**Place of registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Shanghai Baodegu Plastic Science & Technology Co., Ltd. ("Shanghai Baodegu") (Note (i))	PRC/Mainland China	45%	Manufacture and sale of plastic auto parts

(i) Since 10 August 1999, Shanghai Huaxin has held a 45% equity interest in Shanghai Baodegu.

19. Investment in an Associate *(continued)*

The following table illustrates the summarised financial information of Shanghai Baodegu adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2016	2015
	RMB'000	RMB'000
Current assets	**7,637**	3,669
Non-current assets	**994**	1,014
Current liabilities	**(4,177)**	(204)
Net assets	**4,454**	4,479
Net assets, excluding goodwill	**4,454**	4,479
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**45%**	45%
Group's share of net assets of the associate, excluding goodwill	**2,004**	2,016
Carrying amount of the investment	**2,004**	2,016
Revenues	**—**	—
Loss for the year	**(27)**	(436)
Total comprehensive loss for the year	**(27)**	(436)
Group's share of comprehensive loss for the year	**(12)**	(199)
Dividend	**—**	—

The financial statements of Shanghai Baodegu were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

20. Investments in Joint Ventures

	2016 RMB'000	2015 RMB'000
Share of net assets	**105,641**	63,787

Particulars of the Group's joint ventures are as follows:

		Percentage of			
Name	Place of registration and business	Ownership interest	Voting power	Profit sharing	Principal activities
Ningbo Roekona-Zoeppritex-Tex-Line Co., Ltd. ("Ningbo Hualete") (Note (i))	PRC/Mainland China	50%	50%	50%	Manufacture and sale of auto parts, design and manufacture of high-grade textiles
Changchun Huaxiang Faurecia (Note (ii))	PRC/Mainland China	50%	50%	50%	Manufacture and sale of auto parts, provision of after-sales services, and technical consultations

(i) On 17 March 2004, Ningbo Hualete was established in Zhejiang Province, the PRC, with a 41% equity interest beneficially held by the Group. On 24 December 2010, the Group acquired an additional 9% equity interest in Ningbo Hualete from Ningbo Huayou Properties Co. Ltd. ("Ningbo Huayou Properties"), a related party. The Group currently holds a 50% equity interest in Ningbo Hualete.

(ii) On 3 June 2011, Changchun Huaxiang Faurecia was established in Jilin Province, the PRC, with a 50% equity interest held by the Group.

20. Investments in Joint Ventures *(continued)*

The following table illustrates the summarised financial information of Ningbo Hualete adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2016 **RMB'000**	2015 RMB'000
Cash and cash equivalents	**4,996**	5,900
Other current assets	**227,506**	151,770
Current assets	**232,502**	157,670
Non-current assets	**6,385**	5,173
Financial liabilities, excluding trade and other payables	**(59,900)**	(10,000)
Other current liabilities	**(29,016)**	(25,268)
Net assets	**149,971**	127,575
Net assets, excluding goodwill	**149,971**	127,575
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture, excluding goodwill	**74,986**	63,787
Carrying amount of the investment	**74,986**	63,787
Revenues	**172,185**	153,022
Interest income	**19**	116
Depreciation and amortisation	**(794)**	(2,263)
Interest expenses	**(746)**	(847)
Profit and total comprehensive income for the year	**31,776**	31,639
Group's share of comprehensive income for the year	**15,888**	15,820
Dividend	**5,000**	5,000

The financial statements of Ningbo Hualete were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

20. Investments in Joint Ventures *(continued)*

The following table illustrates the summarised financial information of Changchun Huaxiang Faurecia adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2016 RMB'000	2015 RMB'000
Cash and cash equivalents	**21,777**	32,618
Other current assets	**253,926**	358,694
Current assets	**275,703**	391,312
Non-current assets	**134,494**	156,022
Financial liabilities, excluding trade and other payables	**—**	(195,000)
Other current liabilities	**(348,887)**	(368,002)
Net assets/(liabilities)	**61,310**	(15,668)
Net assets/(liabilities), excluding goodwill	**61,310**	(15,668)
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets/(liabilities) of the joint venture, excluding goodwill, including additional loss	**30,655**	(7,834)
Additional loss recognised in other payables, advances from customers and accruals	**—**	7,834
Carrying amount of the investment	**30,655**	—
Revenues	**501,112**	538,203
Interest income	**296**	149
Depreciation and amortisation	**(25,319)**	(20,645)
Interest expenses	**(7,352)**	(10,184)
Loss and total comprehensive loss for the year	**(3,022)**	(28,070)
Group's share of comprehensive loss for the year, including additional loss	**(1,511)**	(14,035)

The financial statements of Changchun Huaxiang Faurecia were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

21. Available for sale Investments

	2016 RMB'000	2015 RMB'000
Unlisted equity investments, at cost	**15,000**	—

21. Available for sale Investments *(continued)*

As at 31 December 2016, the unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them is the near future.

22. Inventories

	2016 RMB'000	2015 RMB'000
Raw materials	48,515	47,943
Work in progress	69,382	49,750
Finished goods	177,678	189,342
	295,575	287,035

23. Trade and Notes Receivables

	2016 RMB'000	2015 RMB'000
Trade receivables	519,871	498,021
Notes receivable	51,932	85,990
	571,803	584,011
Impairment of trade receivables	(3,526)	(5,039)
	568,277	578,972

The Group's trading terms with its customers are mainly on credit. The credit period is from one to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group's notes receivable are all aged within six months and are neither past due nor impaired.

23. Trade and Notes Receivables *(continued)*

An aged analysis of the trade receivables of the Group, based on the invoice date and net of provisions, is as follows:

	2016 RMB'000	2015 RMB'000
Within 3 months	**485,461**	453,563
3 to 6 months	**26,444**	36,590
6 months to 1 year	**3,576**	2,489
Over 1 year	**864**	340
	516,345	492,982

Movements in the provision for impairment of trade receivables are as follows:

	2016 RMB'000	2015 RMB'000
At beginning of year	**5,039**	11,396
Reversal of impairment for the year	**(3,207)**	(7,148)
Impairment losses recognized	**1,694**	791
At end of year	**3,526**	5,039

An aged analysis of the trade receivables of the Group that are neither individually nor collectively considered to be impaired is as follows:

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**489,118**	451,155
Less than 1 month past due	**21,812**	31,301
1 to 2 months past due	**2,267**	4,374
2 to 3 months past due	**1,630**	5,115
Over 3 months and within 1 year past due	**784**	696
Over 1 year past due	**734**	341
	516,345	492,982

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no 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 Group. Based on past experience, the directors of the Company believe 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.

24. Prepayments and Other Receivables

	2016 RMB'000	2015 RMB'000
Prepayments	82,219	77,612
Other receivables (Note 39)	80,101	33,040
Current portion of prepaid land lease payments (Note 17)	4,087	3,549
	166,407	114,201

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

25. Cash and Cash Equivalents

	2016 RMB'000	2015 RMB'000
Cash and bank balances	65,472	75,987
Time deposits	210,031	226,694
	275,503	302,681
Less: Pledged deposits	(87,516)	(102,074)
Cash and cash equivalents in the consolidated statement of financial position	187,987	200,607
Less: Non-pledged time deposits with original maturity of three months or more when acquired	(122,515)	(124,620)
Cash and cash equivalents in the consolidated statement of cash flows	65,472	75,987

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods within one year, depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Pledged deposits with a carrying value of RMB50,196,000 as at 31 December 2016 (2015: RMB79,054,000) were pledged to secure the issue of notes payable (Note 26).

Pledged deposits with a carrying value of RMB37,320,000 as at 31 December 2016 (2015: RMB23,020,000) were pledged to secure the bank loans granted to the Group (Note 28).

26. Trade and Notes Payables

An aged analysis of the trade and notes payables of the Group as at 31 December 2016, based on the invoice date, is as follows:

	2016 RMB'000	2015 RMB'000
Within 3 months	442,083	331,184
3 to 12 months	144,350	177,685
1 to 2 years	1,048	3,653
2 to 3 years	940	1,497
Over 3 years	2,227	2,130
	590,648	516,149

The trade payables due to third parties are non-interest-bearing and normally settled on terms of 30 to 90 days. Notes payable are generally with a maturity period of six months.

Certain notes payable were secured by pledged deposits of the Group with a carrying value of RMB50,196,000 as at 31 December 2016 (2015: RMB79,054,000) (Note 25).

27. Other Payables, Advances from Customers and Accruals

	2016 RMB'000	2015 RMB'000
Other payables (Note 39)	140,386	128,188
Advances from customers	39,256	31,004
Accruals	10,379	14,484
Government grants — current portion (Note 29)	731	702
	190,752	174,378

Other payables are non-interest-bearing and repayable on demand.

28. Interest-Bearing Bank Borrowings

	2016			2015		
	Effective interest rate %	Maturity	RMB'000	Effective interest rate %	Maturity	RMB'000
Current						
Bank loans — secured	2.20-6.55	2017	10,598	2.75-5.55	2016	176,082
Bank loans — unsecured	5.40-6.60	2017	490,790	5.40-6.60	2016	370,000
Current portion of long term bank loans — unsecured	6.77-6.89	2017	8,000	6.77-6.89	2016	18,500
			509,388			564,582
Non-current						
Bank loans — secured			—	2.48-6.31	2017-2018	230,930
Bank loans — unsecured	2.72-6.72	2018-2019	282,332	5.55-6.55	2017	2,000
			282,332			232,930
			791,720			797,512

	2016 RMB'000	2015 RMB'000
Analysed into:		
Bank loans:		
Within one year	509,388	564,582
In the second year	149,976	58,000
In the third to fifth years, inclusive	132,356	174,930
	791,720	797,512

All bank borrowings were obtained from third party financial institutions.

28. Interest-Bearing Bank Borrowings *(continued)*

As at 31 December 2016, the Group's bank facilities of RMB419,065,000 (2015: RMB421,807,000) were secured by the pledges of the Group's assets. RMB10,598,000 of the pledged bank facilities (2015: RMB407,012,000) were utilised by the Group as at 31 December 2016. The carrying values of the pledged assets are as follows:

	Notes	2016 RMB'000	2015 RMB'000
Property, plant and equipment	15	**10,655**	63,934
Investment properties	16	**2,632**	3,006
Prepaid land lease payments	17	**45,158**	68,481
Notes receivables		**—**	65,181
Pledged deposits	25	**37,320**	23,020
		95,765	223,622

29. Government Grants

	2016 RMB'000	2015 RMB'000
Carrying amount at beginning of the year	**10,145**	10,606
Received during the year	**588**	211
Released to profit or loss	**(1,118)**	(672)
Carrying amount at end of the year	**9,615**	10,145
Current portion, classified under other payables, advances from customers and accruals (Note 27)	**731**	702
Non-current	**8,884**	9,443
	9,615	10,145

Government grants have been received for the purchase and construction of certain items of property, plant and equipment.

30. Deferred Tax

Deferred tax of the Group as at 31 December relates to the following:

	2016 RMB'000	2015 RMB'000
Deferred tax assets arising from:		
— Provision for impairment of receivables	652	1,245
— Write-down of inventories	2,670	4,062
— Accruals	9,385	8,047
— Unrealised profits	3,881	5,422
	16,588	18,776
Deferred tax liabilities arising from:		
— Valuation surplus	5,052	6,224
— Withholding taxes	24,571	14,571
	29,623	20,795

Deferred tax assets recognised and their movements during the year are as follows:

	Provision for impairment of receivables RMB'000	Write-down of inventories RMB'000	Accruals RMB'000	Unrealised profits RMB'000	Impairment of property, plant and equipment RMB'000	Total RMB'000
As at 31 December 2014 and 1 January 2015	1,781	2,578	6,799	2,886	374	14,418
(Charged)/credited to the statement of profit or loss (Note 12)	(536)	1,484	1,248	2,536	(374)	4,358
As at 31 December 2015 and 1 January 2016	1,245	4,062	8,047	5,422	—	18,776
(Charged)/credited to the statement of profit or loss (Note 12)	(593)	(1,392)	1,338	(1,541)	—	(2,188)
As at 31 December 2016	652	2,670	9,385	3,881	—	16,588

30. Deferred Tax *(continued)*

Deferred tax liabilities recognised and their movements during the year are as follows:

	Valuation surplus RMB'000	Withholding taxes RMB'000	Total RMB'000
As at 1 January 2015	6,433	13,571	20,004
(Credited)/charged to the statement of profit or loss (Note 12)	(27)	1,000	973
Exchange realignment	(182)	—	(182)
As at 31 December 2015 and 1 January 2016	6,224	14,571	20,795
(Credited)/charged to the statement of profit or loss (Note 12)	(1,273)	10,000	8,727
Exchange realignment	101	—	101
As at 31 December 2016	5,052	24,571	29,623

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. For the Group, the applicable rate is 10%.

At 31 December 2016, other than the amount recognised in the consolidated financial statements, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute such remaining earnings in the foreseeable future, as they will be permanently used as the Group's future development fund in Mainland China. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB296,378,000 at 31 December 2016 (2015: RMB296,124,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

30. Deferred Tax *(continued)*

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2016 RMB'000	2015 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	16,177	18,045
Net deferred tax liabilities recognised in the consolidated statement of financial position	(29,212)	(20,064)

Deferred tax assets have not been recognised in respect of the following items:

	2016 RMB'000	2015 RMB'000
Unused tax losses	152,489	156,984
Deductible temporary differences	—	1,000
	152,489	157,984

Included in the above tax losses is an amount of approximately RMB40,668,000 (2015: RMB43,175,000) arising from HZ FBZ, which is entitled to a deduction of future taxable profits with no expiry period. The remaining tax losses are subject to an expiry period of five years for offsetting future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

31. Issued Capital

Shares

	2016 RMB'000	2015 RMB'000
Issued and fully paid: 1,605,000,000 (31 December 2015: 1,605,000,000) ordinary shares of HK$0.10 each	128,587	128,587

31. Issued Capital *(continued)*

Shares *(continued)*

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 31 December 2015 and 31 December 2016	1,605,000,000	128,587	20,030	148,617

32. Share Option Schemes

Pre-IPO Share Option Scheme

The Company operates a Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") for the purpose to aid the Group in recruiting and retaining key employees, directors or consultants of outstanding ability and to motivate such employees, directors or consultants to exert their best efforts on behalf of the Company. Under the Pre-IPO Share Option Scheme, the Company granted options to subscribe at an exercise price equivalent to 80% of the offer price for an aggregate of 18,000,000 shares in the Company. The Pre-IPO Share Option Scheme became effective on 15 December 2011.

All the options under the Pre-IPO Share Option Scheme were granted on 23 December 2011 and no further options will be granted under the Pre-IPO Share Option Scheme on and after the Listing Date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Pre-IPO Share Option Scheme during the year:

	2016		2015	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	0.56	34,700	1.12	17,350
Adjusted upon completion of the bonus issue	—	—	—	17,350
Forfeited during the year	—	—	—	—
At 31 December	0.56	34,700	0.56	34,700

32. Share Option Schemes *(continued)*

Pre-IPO Share Option Scheme *(continued)*

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2016 **Number of options** **'000**	**Exercise price** **HK$** **per share**	**Exercise period**
12,144	0.56	12 January 2013 to 11 January 2017
12,144	0.56	12 January 2013 to 11 January 2017
10,410	0.56	12 January 2013 to 11 January 2017
34,700		

2015 Number of options '000	Exercise price HK$ per share	Exercise period
12,144	0.56	12 January 2013 to 11 January 2017
12,146	0.56	12 January 2014 to 11 January 2017
10,410	0.56	12 January 2015 to 11 January 2017
34,700		

The fair value of the share options granted in 2011 was RMB10,011,000, of which the Group recognised no share option expense during the year ended 31 December 2016 (2015: RMB33,000).

The fair value of equity-settled share options granted in 2011 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0
Expected volatility (%)	57.69
Risk-free interest rate (%)	0.9725
Contract life of options (year)	5.06
Expected exercise multiple	1.5 ~2

The expected exercise multiple of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

32. Share Option Schemes *(continued)*

Pre-IPO Share Option Scheme *(continued)*

At the end of the reporting period, the Company had 34,700,000 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 34,700,000 additional ordinary shares of the Company and additional share capital of HK$3,470,000, equivalent to RMB3,104,000, and share premium of HK$15,962,000, equivalent to RMB14,278,000 (before issue expenses).

As at 31 December 2016, the Company had 34,700,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 2.2% of the Company's shares in issue at that date.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 15 December 2011 for the purpose of giving certain eligible persons an opportunity to have a personal stake in the Company and motivating them to optimise their future performance and efficiency for the Group and/or rewarding them for their past contributions, and attracting and retaining, or otherwise maintaining on-going relationships with, such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the shares in issue as at the Listing Date, i.e., 80,000,000 shares. The maximum number of shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to any one person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before 28 days after the date that the Board meeting proposes such grant (the "Offer Date"). The exercise price of the options is determined by the Board at its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a share;

(b) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the Offer Date; and

(c) the average of the closing prices of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting option granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

32. Share Option Schemes *(continued)*

Share Option Scheme *(continued)*

The following share options were outstanding under the Share Option Scheme during the year:

	2016		2015	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	—	—	—	—
Granted during the year	—	—	2.00	2,500
Adjusted upon completion of the bonus issue	—	—	—	2,500
Exercised during the year	—	—	1.00	(5,000)
At 31 December	—	—	—	—

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2015 was HK$1.00 per share.

The fair value of the share options granted during the year was nil (2015: RMB1,206,000), of which the Group recognised a share option expense of nil (2015: 1,206,000) during the year ended 31 December 2016.

The fair value of equity-settled share options granted in 2016 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	1.34
Expected volatility (%)	59.65
Historical volatility (%)	59.65
Risk-free interest rate (%)	0.34
Contract life of options (year)	2

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 5,000,000 share options exercised during the year ended 31 December 2015 resulted in the issue of 5,000,000 ordinary shares of the Company and new share capital of HK$500,000, equivalent to RMB411,000 (before issue expenses).

At the end of the reporting period, the Company had no outstanding shares options under the Share Option Scheme.

33. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Statutory reserve funds

Statutory reserve funds comprise:

Reserve fund

PRC laws and regulations require wholly-owned foreign enterprises ("WOFE") to provide for the reserve fund by appropriating a part of the net profit, as determined under the PRC accounting rules and regulations, before dividend distribution. Each subsidiary being WOFE is required to appropriate at least 10% of its net profit after tax to the reserve fund until the balance of such fund has reached 50% of its registered capital. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

Enterprise expansion fund

In accordance with relevant regulations and articles of association of the subsidiaries registered in Mainland China as foreign-invested companies, appropriations from net profit should be made to the enterprise expansion fund, after offsetting accumulated losses from prior years, and before profit distributions to its investors. The percentages to be appropriated to the enterprise expansion fund are determined by the boards of directors of the subsidiaries.

Statutory surplus reserve

Each of the non-foreign-invested subsidiaries in Mainland China is required to transfer 10% of its profit after taxation, as determined under the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

The statutory surplus reserve can be used to offset accumulated losses or convert into share capital by the issue of new shares to shareholders in proportion to their existing equity holdings.

34. Partly-Owned Subsidiary with Material Non-Controlling Interests

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2016 RMB'000	2015 RMB'000
Percentage of equity interest held by non-controlling interests:		
Shanghai Huaxin	49%	49%

	2016 RMB'000	2015 RMB'000
Profit for the year allocated to non-controlling interests:		
Shanghai Huaxin	5,595	5,472
Dividends paid to non-controlling interests of Shanghai Huaxin	3,115	3,068
Accumulated balances of non-controlling interests at the reporting dates:		
Shanghai Huaxin	33,796	31,316

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Shanghai Huaxin	2016 RMB'000	2015 RMB'000
Revenue	121,708	132,504
Total expenses	(110,289)	(121,337)
Profit for the year	11,419	11,167
Total comprehensive income for the year	11,419	11,167
Current assets	80,184	77,555
Non-current assets	28,448	28,606
Current liabilities	(37,476)	(39,993)
Non-current liabilities	(2,185)	(2,258)
Net cash flows from operating activities	4,434	13,695
Net cash flows (used in)/from investing activities	(2,784)	413
Net cash flows used in financing activities	(3,461)	(6,670)
Net (increase)/decrease in cash and cash equivalents	(1,811)	7,438

35. Disposal of a Subsidiary

	2016 RMB'000
Net assets disposed of:	
Available for sale investment	45,000
Cash and bank equivalents	5,710
Trade and notes payables	(4,837)
Other payables, advances from customers and accruals	(40,873)
	5,000
Gain on disposal of a subsidiary	—
	5,000
Satisfied by:	
Other receivables	5,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2016 RMB'000
Cash consideration	—
Cash and bank balances disposed of	(5,710)
Net outflow of cash and cash equivalents In respect of the disposal of a subsidiary	(5,710)

36. Operating Lease Arrangements

Group as lessee

The Group leases certain of its plants and warehouses under operating lease arrangements.

As at the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	4,655	7,784
After one year but not more than five years	4,773	2,321
	9,428	10,105

36. Operating Lease Arrangements *(continued)*

Group as lessor

The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's manufacturing plants.

Future minimum rentals receivable under non-cancellable operating leases as at the end of the reporting period are as follows:

	2016 **RMB'000**	2015 RMB'000
Within one year	**—**	5,287

37. Commitments

In addition to the operating lease commitments detailed in Note 36 above, the Group had the following capital commitments as at the end of the reporting period:

	2016 **RMB'000**	2015 RMB'000
Contracted, but not provided for, in respect of the acquisition of:		
Property, plant and equipment	**208,619**	278,807

38. Related Party Transactions and Balances

(a) Name and relationship

Name of related party	Relationship with the Group
Mr. Zhou	Ultimate controlling shareholder
Mr. Zhou Cimei	Father of Mr. Zhou
Ms. Lai Cairong	Mother of Mr. Zhou
Ms. Chen Chun'er	Spouse of Mr. Zhou
Mr. Zhou Xiaofeng	Brother of Mr. Zhou
Ningbo Huaxiang Electronics Co., Ltd. ("Ningbo Huaxiang Electronics")	Significantly influenced by Mr. Zhou Xiaofeng
Huayou Holdings Company Ltd. ("Huayou Holdings")	Controlling shareholder of the Company
寧波華翔汽車飾件有限公司 ("Huaxiang Trim")	Controlled by Ningbo Huaxiang Electronics
Ningbo Huaying Moulding Technology Development Co., Ltd. ("Huaying Moulding")	Controlled by Mr. Zhou
成都安通林華翔汽車內飾件有限公司 ("Chengdu Antolin Huaxiang")	Joint venture of Ningbo Huaxiang Electronics
公主岭安通林華翔汽車內飾件有限公司 ("Gongzhuling Antolin Huaxiang")	Joint venture of Ningbo Huaxiang Electronics
寧波華翔汽車銷售服務有限公司 ("Huaxiang Sales Co.")	Collectively controlled by Mr. Zhou Cimei and Ms. Lai Cairong
南昌江鈴華翔汽車零部件有限公司 ("Nanchang Jiangling")	Joint venture of Ningbo Huaxiang Electronics
Ningbo Hualete	Joint venture of the Group
象山華翔國際酒店有限公司 ("Huaxiang Resort")	Collectively controlled by Mr. Zhou Cimei and Ms. Lai Cairong

38. Related Party Transactions and Balances *(continued)*

(a) Name and relationship *(continued)*

Name of related party	Relationship with the Group
Guangzhou Chengli Industrial Co., Ltd. ("Guangzhou Chengli")	Controlled by Mr. Zhou
Changchun Huaxiang Faurecia	Joint venture of the Group
Shanghai Baodegu	Associate of the Group
寧波華翔進出口有限公司 ("Huaxiang Export")	Significantly influenced by Mr. Zhou Cimei and Ms. Lai Cairong
華翔集團 ("Huaxiang Group")	Connected person of the Company
沈陽華翔汽車零部件有限公司 ("Shenyang Huaxiang")	Subsidiary of Ningbo Huaxiang Electronics

38. Related Party Transactions and Balances *(continued)*

(b) Related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2016 RMB'000	2015 RMB'000
Sales of raw materials and goods to related parties:	(i)		
Changchun Huaxiang Faurecia		103,409	53,589
Chengdu Antolin Huaxiang		—	131
		103,409	53,720
Purchases of raw materials, goods and services from related parties:	(ii)		
Changchun Huaxiang Faurecia		58,379	102,598
Ningbo Hualete		63,320	77,159
Shenyang Huaxiang		4,002	—
Nanchang Jiangling		2,160	3,659
Huaxiang Resort$^{\Delta}$		1,489	919
Gongzhuling Antolin Huaxiang		—	202
Huaxiang Sales Co.		—	62
		129,350	184,599
Gross rental income from related parties:	(iii)		
Changchun Huaxiang Faurecia		9,897	9,313
Ningbo Hualete		1,072	1,021
		10,969	10,334
Rental expenses charged by related parties:	(iii)		
Guangzhou Chengli$^{\Delta}$		1,000	1,015
Huaying Moulding$^{\Delta}$		638	532
		1,638	1,547
Prepayments of rental expenses to related parties:	(iii)		
Guangzhou Chengli$^{\Delta}$		—	540
Huaying Moulding$^{\Delta}$		—	271
		—	811

38. Related Party Transactions and Balances *(continued)*

(b) Related party transactions *(continued)*

	Notes	2016 RMB'000	2015 RMB'000
Purchase of land from a related party:	(iv)		
Huaxiang Group△		**14,820**	—
Advances to related parties:	(v)		
Changchun Huaxiang Faurecia		**—**	18,316
Recovery of advances to related parties:	(v)		
Changchun Huaxiang Faurecia		**18,316**	—
Entrusted loans to a related party:	(vi)		
Changchun Huaxiang Faurecia		**—**	55,000
Recovery of entrusted loans to a related party:	(vi)		
Changchun Huaxiang Faurecia		**55,000**	—

Note (i): Sales of goods, raw materials to the related party were made according to the prices and terms agreed between the related parties.

Note (ii): Purchases of goods, services and raw materials from the related parties were made according to the prices and terms offered by the related parties.

Note (iii): Gross rental income from and rental expenses charged by related parties were in accordance with the terms and conditions agreed between the related parties through lease agreements.

Note (iv): Purchases of land from the related parties were made according to the prices and terms offered by the related parties.

Note (v): Advances and recovery of advances to related parties are interest-free and repayable on demand.

Note (vi): The entrusted loan was lent to a related party through Agricultural Bank of China and China Construction Bank with a one-year term and an annual interest rate of 5.6%.

(c) Other transactions with related parties

During the year ended 31 December 2016, the Group received guarantees from Mr. Zhou and Ms. Chen Chun'er for the Group's banking facilities amounting to nil as at 31 December 2016 (2015: RMB300,000,000), among which nil was utilised by the Group as at 31 December 2016 (2015: RMB52,000,000).

The related party transactions in respect of items denoted with "△" and the item disclosed in Note 38(c) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

38. Related Party Transactions and Balances *(continued)*

(d) Outstanding balances with related parties

	2016 RMB'000	2015 RMB'000
Amounts due from related parties:		
Changchun Huaxiang Faurecia	**137,049**	49,005
Ningbo Hualete	**73**	—
Guangzhou Chengli	**—**	540
Huaying Moulding	**—**	271
Chengdu Antolin Huaxiang	**—**	154
	137,122	49,970
Amount due to the ultimate controlling shareholder:		
Mr. Zhou	**3,603**	652
Amounts due to related parties:		
Ningbo Hualete	**42,808**	34,569
Shenyang Huaxiang	**4,682**	—
Nanchang Jiangling	**2,780**	2,661
Huayou Holdings	**158**	4,381
Huaying Moulding	**335**	—
Huaxiang Resort	**281**	77
Huaxiang Export	**26**	26
Guangzhou Chengli	**15**	—
Changchun Huaxiang Faurecia	**—**	2,462
Shanghai Baodegu	**—**	578
Gongzhuling Antoling Huaxiang	**—**	99
Huaxiang Sales Co.	**—**	11
Huaxiang Trim	**—**	3
	51,085	44,867

The amounts due from/to the ultimate controlling shareholder and related parties are unsecured, interest-free and repayable on demand.

38. Related Party Transactions and Balances *(continued)*

(e) Compensation of key management personnel of the Group

	2016 RMB'000	2015 RMB'000
Short term employee benefits	**4,684**	3,485
Post-employment benefits	**59**	31
Equity-settled share option expense	**—**	1,220
Total compensation paid to key management personnel	**4,743**	4,736

Further details of directors' and the chief executive's remuneration are included in Note 10 to the financial statements.

39. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

Financial assets

As at 31 December 2016	**Loans and receivables RMB'000**
Trade and notes receivables	**568,277**
Financial assets included in prepayments and other receivables (Note 24)	**80,101**
Due from related parties	**137,122**
Pledged deposits	**87,516**
Cash and cash equivalents	**187,987**
	1,061,003

As at 31 December 2015	Loans and receivables RMB'000
Trade and notes receivables	578,972
Financial assets included in prepayments and other receivables (Note 24)	33,040
Due from related parties	49,970
Pledged deposits	102,074
Cash and cash equivalents	200,607
	964,663

39. Financial Instruments by Category *(continued)*

Financial liabilities

As at 31 December 2016	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables, advances from customers and accruals (Note 27)	140,386
Trade and notes payables	590,648
Interest-bearing bank borrowings	791,720
Due to the ultimate controlling shareholder	3,603
Due to related parties	51,085
	1,577,442

As at 31 December 2015	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables, advances from customers and accruals (Note 27)	128,188
Trade and notes payables	516,149
Interest-bearing bank borrowings	797,512
Due to the ultimate controlling shareholder	652
Due to related parties	44,867
	1,487,368

40. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Financial assets				
Interests-bearing bank borrowings, non-current portion	282,332	232,930	282,332	232,930

40. Fair Value and Fair Value Hierarchy of Financial Instruments *(continued)*

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, trade and notes payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables, advances from customers and accruals, amounts due from/to related parties, amount due to the ultimate controlling shareholder and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

As at 31 December 2016, the unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them is the near future.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumption were used to estimate the fair value:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments within similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2016 was assessed to be insignificant.

Fair value hierarchy

Financial liabilities for which fair values are disclosed

As at 31 December 2016

		Fair value measurement using		
	Total	**Quoted prices in active markets Level 1**	**Significant observable inputs Level 2**	**Significant unobservable inputs Level 3**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Interest-bearing bank borrowings	**282,332**	—	—	**282,332**

As at 31 December 2015

		Fair value measurement using		
	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings	232,930	—	—	232,930

41. Transfers of Financial Assets

Transferred financial assets that are not derecognised in their entirety

At 31 December 2016, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB6,045,000 (2015: RMB734,558) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB6,045,000 (2015: RMB734,558) as at 31 December 2016.

Transferred financial assets that are derecognised in their entirety

At 31 December 2016, endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB60,407,000 (2015: RMB5,188,000). The Derecognised Bills had a maturity of one to six months at 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 Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2016, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

42. Financial Risk Management Objectives and Policies

The Group's principal financial liabilities comprise interest-bearing bank borrowings, trade and notes payables, other payables, amounts due to the ultimate controlling shareholder and related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade and notes receivables, other receivables, cash and cash equivalents, pledged deposits and related parties, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors of the Company reviews and agrees policies for managing each of these risks which are summarised below.

42. Financial Risk Management Objectives and Policies *(continued)*

Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The interest rate and terms of repayment of borrowings are disclosed in Note 28.

The Group has not used any interest swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in RMB interest rate with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/(decrease) in basis points	**Effect on profit before tax** RMB'000
Year ended 31 December 2016		
RMB	**100**	**(1,341)**
RMB	**(100)**	**1,341**
Year ended 31 December 2015		
RMB	100	(690)
RMB	(100)	690

A reasonably possible change by 100 basis points in the RMB interest rate, with all other variables held constant, has no material impact on the Group's equity other than retained earnings.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, trade and other receivables, pledged deposits and related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at the end of the reporting period, except for the trade and notes receivables, there was no significant concentration of credit risk within the Group. The trade and notes receivables arising from the five largest customers accounted for 62% (2015: 57%) of the total trade and notes receivables as at 31 December 2016.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

42. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The tables below summarise the maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments.

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
31 December 2016					
Interest-bearing bank borrowings	**—**	**213,181**	**303,414**	**288,560**	**805,155**
Trade and notes payables	**205,469**	**262,336**	**121,976**	**867**	**590,648**
Other payables (Note 27)	**140,386**	**—**	**—**	**—**	**140,386**
Amount due to the ultimate controlling shareholder	**3,603**	**—**	**—**	**—**	**3,603**
Amounts due to related parties	**51,085**	**—**	**—**	**—**	**51,085**
	400,543	**475,517**	**425,390**	**289,427**	**1,590,877**

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
31 December 2015					
Interest-bearing bank borrowings	—	91,056	487,900	238,523	817,479
Trade and notes payables	105,374	264,159	146,468	148	516,149
Other payables (Note 27)	128,188	—	—	—	128,188
Amount due to the ultimate controlling shareholder	652	—	—	—	652
Amounts due to related parties	44,867	—	—	—	44,867
	279,081	355,215	634,368	238,671	1,507,335

42. Financial Risk Management Objectives and Policies *(continued)*

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The net debt includes interest-bearing bank borrowings, trade and notes payables, other payables and accruals, amounts due to the ultimate controlling shareholder and related parties less cash and cash equivalents. Capital represents equity attributable to owners of the parent.

The gearing ratios as at the end of the reporting periods were as follows:

	2016 **RMB'000**	2015 RMB'000
Trade and notes payables	**590,648**	516,149
Other payables and accruals	**190,752**	174,378
Interest-bearing bank borrowings	**791,720**	797,512
Amount due to the ultimate controlling shareholder	**3,603**	652
Amounts due to related parties	**51,085**	44,867
Less: Cash and cash equivalents	**(187,987)**	(200,607)
Net debt	**1,439,821**	1,332,951
Equity attributable to owners of the parent	**681,850**	576,617
Capital and net debt	**2,121,671**	1,909,568
Gearing ratio	**68%**	70%

43. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	30	30
Investments in subsidiaries	53,158	53,158
Investment in a joint venture	72,349	69,325
Total non-current assets	125,537	122,513
CURRENT ASSETS		
Prepayments and other receivables	91	91
Due from subsidiaries	18,290	40,400
Cash and cash equivalents	3,738	44
Total current assets	22,119	40,535
CURRENT LIABILITIES		
Other payables, advances from customers and accruals	960	1,094
Due to a shareholder	158	4,381
Due to subsidiaries	68,278	72,159
Total current liabilities	69,396	77,634
Net current liabilities	(47,277)	(37,099)
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS	78,260	85,414
EQUITY		
Issued capital	128,587	128,587
Reserves (Note)	(50,327)	(43,173)
Total equity	78,260	85,414

43. Statement of Financial Position of the Company *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 31 December 2014 and 1 January 2015	84,024	9,471	(46,666)	46,829
Bonus issue	(63,056)	—	—	(63,056)
Equity-settled share option arrangements	—	1,239	—	1,239
Share options exercised	4,904	(1,206)	—	3,698
Loss for the year	—	—	(26,041)	(26,041)
Dividends	(5,842)	—	—	(5,842)
At 31 December 2015 and 1 January 2016	20,030	9,504	(72,707)	(43,173)
Loss for the year	—	—	(7,154)	(7,154)
At 31 December 2016	20,030	9,504	(79,861)	(50,327)

44. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 30 March 2017.

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
REVENUE	**1,738,891**	1,635,565	1,683,204	1,470,893	1,155,893
Cost of sales	**(1,260,153)**	(1,239,452)	(1,278,993)	(1,123,488)	(914,320)
Gross profit	**478,738**	396,133	404,211	347,405	241,573
Other income and gains	**22,847**	12,254	12,485	16,840	18,844
Gain on bargain purchase	**—**	—	—	—	14,756
Selling and distribution costs	**(117,418)**	(94,348)	(93,873)	(99,087)	(94,208)
Administrative expenses	**(198,454)**	(177,006)	(159,755)	(142,562)	(133,610)
Other expenses	**(10,668)**	(91)	(4,298)	(6,218)	(7,774)
Finance income	**10,345**	7,824	7,659	7,037	6,535
Finance costs	**(47,296)**	(41,731)	(44,683)	(48,238)	(47,785)
Share of profits and losses of:					
Joint ventures	**14,377**	1,785	(1,703)	7,434	15,967
An associate	**(12)**	(199)	(295)	245	441
PROFIT BEFORE TAX	**152,459**	104,621	119,748	82,856	14,739
Income tax expense	**(41,957)**	(29,745)	(28,526)	(30,758)	(8,864)
PROFIT FOR THE YEAR	**110,502**	74,876	91,222	52,098	5,875
Attributable to:					
Owners of the parent	**104,907**	69,404	86,583	47,620	1,969
Non-controlling interests	**5,595**	5,472	4,639	4,478	3,906
	110,502	74,876	91,222	52,098	5,875

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**2,436,364**	2,237,702	2,022,979	1,809,195	1,853,533
TOTAL LIABILITIES	**(1,720,718)**	(1,629,769)	(1,485,957)	(1,342,847)	(1,433,866)
NON-CONTROLLING INTERESTS	**(33,796)**	(31,316)	(28,912)	(26,723)	(24,205)
	681,850	576,617	508,110	439,625	395,462

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Zhou Minfeng *(Chairman)*
Mr. Liu Genyu *(Chief executive officer)*
Mr. Chang Jingzhou

Non-executive Directors

Ms. Lai Cairong
Mr. Wang Yuming
Mr. He Jifeng
Mr. Guan Xin

Independent non-executive Directors

Mr. Wong Luen Cheung Andrew *(Vice-chairman)*
Mr. Yu Shuli
Mr. Tian Yushi
Mr. Xu Jiali

Audit Committee

Mr. Yu Shuli *(Chairman)*
Mr. Tian Yushi
Mr. Xu Jiali

Remuneration Committee

Mr. Yu Shuli *(Chairman)*
Mr. Zhou Minfeng
Mr. Tian Yushi

Nomination Committee

Mr. Zhou Minfeng *(Chairman)*
Mr. Yu Shuli
Mr. Tian Yushi

Joint Company Secretaries

Mr. Cheung Wah Lung Warren (AICPA, ACS)
Ms. Ho Wing Yan ACIS, ACS(PE)

Authorised Representative

Mr. Zhou Minfeng
Mr. Cheung Wah Lung Warren

Registered Office

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

Headquarters in China

No. 104 Zhenan Road
Xizhou Town
Xiangshan County
Zhejiang Province
China

Principal Place of Business in Hong Kong

Room 1704, 17/F., Tai Yau Building
181 Johnston Road
Wanchai
Hong Kong

Principal Bankers

Bank of China
Agricultural Bank of China

Legal Adviser as to Hong Kong Law

Luk & Partners

Auditors

Ernst & Young

Share Registrars

Principal Share Registrar and Transfer Office in the Cayman Islands

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Listing Exchange Information

The Stock Exchange of Hong Kong Limited
Main Board

Stock Code

6830

Company Website

www.cn-huazhong.com