中汽内饰
CHINA AUTOMOTIVE

中國汽車內飾集團有限公司
CHINA AUTOMOTIVE INTERIOR DECORATION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 0048)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board of Directors (the "Board") of China Automotive Interior Decoration Holdings Limited (the "Company") is pleased to announce the following audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 together with the comparative figures for the preceding financial year ended 31 December 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Revenue	5	**207,824**	195,804
Cost of sales		**(181,862)**	(165,432)
Gross profit		**25,962**	30,372
Other gain or losses	6	**(118,397)**	183,706
Selling and distribution costs		**(10,849)**	(8,799)
Share of loss of an associate		**–**	(6,114)
Gain on disposal of subsidiaries		**–**	3,709
Administrative expenses		**(31,053)**	(33,093)
(Loss)/profit from operations	7	**(134,337)**	169,781
Finance costs	8	**(1,596)**	(1,775)
(Loss)/profit before tax		**(135,933)**	168,006
Income tax expense	9	**2,353**	(36,029)
(Loss)/profit for the year attributable to the owners of the Company		**(133,580)**	131,977

	Note	2016 RMB'000	2015 RMB'000
(Loss)/profit for the year		**(133,580)**	131,977
Other comprehensive income for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**25,010**	22,506
Impairment loss arising on revaluation of available-for-sale financial assets		**(77,689)**	–
Reclassification adjustments relation to impairment loss on available-for-sale financial assets		**77,689**	–
Total other comprehensive loss/income for the year		**25,010**	22,506
Total comprehensive loss/income for the year attributable to the owners of the Company		**(108,570)**	154,483
(Loss)/earnings per share		***RMB***	*RMB*
– Basic and diluted	*10*	**(7.6 cents)**	8.8 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	**2016** **RMB'000**	2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**53,265**	49,166
Available-for-sale financial assets		**235,708**	–
Prepaid land lease payments		**2,625**	2,698
Goodwill		**457**	7,286
		292,055	59,150
Current assets			
Prepaid land lease payments		**73**	73
Inventories		**24,566**	15,663
Trade receivables	*12*	**133,176**	101,531
Bills receivables		**5,964**	4,395
Prepayments, deposits and other receivables		**40,759**	52,683
Held-for-trading investments		**36,514**	336,349
Cash and bank balances		**86,419**	83,345
		327,471	594,039
Total assets		**619,526**	653,189
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	*13*	**163,359**	134,837
Reserves		**330,486**	427,052
Total equity		**493,845**	561,889

	Note	2016 RMB'000	2015 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**–**	35,436
		–	35,436
Current liabilities			
Trade payables	*14*	**39,744**	12,239
Accruals and other payables		**9,108**	10,728
Bank borrowings		**39,000**	29,500
Tax payable		**37,829**	3,397
		125,681	55,864
Total liabilities		**125,681**	91,300
Total equity and liabilities		**619,526**	653,189
Net current assets		**201,790**	538,175
Total assets less current liabilities		**493,845**	597,325

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 9 December 2009 with limited liability. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the Group's principal place of business is located at No. 28 Xinfeng Road, Xinfeng Industrial Park, Fangqian Town, New District, Wuxi City, Jiangsu Province, the People's Republic of China (the "PRC"). Its parent and ultimate holding company is China Automotive Interior Decoration Holdings Limited (incorporated in Cayman Islands). Its ultimate controlling party is Mr. Zhuang Yuejin (2015: Mr. Zhuang Yuejin), who is also the Chairman and Managing Director of the Company.

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and other parts and trading of rubber and food products.

The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands, except when otherwise indicated.

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

In the current year, the Group has applied, for the first time, the following standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on or after 1 January 2016. A summary of the new HKFRSs are set out below:

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

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Issued but not yet effective Hong Kong Financial Reporting Standard

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

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 4 (Amendments)	Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRSs (Amendments)	Annual Improvement to HKFRSs 2014-2016 Cycle[5]

1 *Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.*

2 *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.*

3 *Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.*

4 *Effective for annual periods beginning on or after a date to be determined.*

5 *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.*

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9

- All recognised financial assets that are within the scope of HKAS 39 to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may impact the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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

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

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The Group is in the process of assessing the potential impact of the other new and revised HKFRSs upon initial application but is not yet in a position to state whether the other new and revised HKFRSs, will have a significant impact on the Group's financial performance and position.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair value, as explained in the accounting policies set out below.

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

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

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

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

– Level 3 inputs are unobservable inputs for the asset or liability.

4. SEGMENT INFORMATION

Information reported to the Directors being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The Group's operating and reportable segments are as follows:

(i) the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and other parts; and

(ii) the supply and procurement operation segment including trading of rubber, food products and garment accessories.

Segment revenue and results

	Supply and procurement operation		Manufacture and sale of nonwoven fabric products		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:						
Sales to external customers	**12,812**	35,768	**195,012**	160,036	**207,824**	195,804
Segment results	**2,072**	3,520	**(3,847)**	11,118	**(1,775)**	14,638
Unallocated corporate income					**191**	183,179
Unallocated corporate expenses					**(132,753)**	(28,036)
(Loss)/profit from operations					**(134,337)**	169,781
Finance costs					**(1,596)**	(1,775)
(Loss)/profit before tax					**(135,933)**	168,006

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years ended 31 December 2016 and 2015.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit from each segment without allocation of interest income, gain on held-for-trading investments, gain on disposal of subsidiaries, impairment loss on available-for-sale financial assets, impairment loss recognised on goodwill and central operating expenses including staff costs, finance costs and income tax expense. This is the measure reported to the chief operating decision marker for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Supply and procurement operation		Manufacture and sale of nonwoven fabric products		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
ASSETS						
Segment assets	**59,550**	55,846	**272,664**	256,061	**332,214**	311,907
Unallocated corporate assets					**287,312**	341,282
Total assets					**619,526**	653,189
LIABILITIES						
Segment liabilities	**5,464**	1,746	**84,283**	52,355	**89,747**	54,101
Unallocated corporate liabilities					**35,934**	37,199
Total liabilities					**125,681**	91,300

For the purpose of monitoring segment performance and allocating resources between segments:

– all assets are allocated to reportable segment other than corporate financial assets including available-for-sale financial assets, held-for-trading investments and corporate cash and bank balance. Goodwill is allocated to supply and procurement segments.

– all liabilities are allocated to reportable segments other than corporate financial liabilities including derivative financial liability, deferred tax liabilities and accruals and other payables.

Other segment information

The following is the analysis of the Group's other segment information:

	Supply and procurement operation		Manufacture and sale of nonwoven fabric products		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Capital expenditure	**–**	–	**9,982**	8,528	**9,982**	8,528
Depreciation of property, plant and equipment	**1**	1	**5,794**	4,996	**5,795**	4,997
Amortisation of prepaid land lease payments	**–**	–	**73**	73	**73**	73
Inventories written off	**–**	–	**327**	200	**327**	200
Impairment loss recognised on trade receivables	**–**	–	**4,130**	43	**4,130**	43
Impairment loss recognised on goodwill	**6,829**	16,239	**–**	–	**6,829**	16,239

Revenue from major products and services

Information about the Group's major products is set out in Note 5.

Geographical information

The Group's operations are located in the PRC and Hong Kong.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below.

	Revenue from external customers		**Non-current assets***	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**207,824**	175,823	**55,890**	51,856
Hong Kong	**–**	17,778	**–**	8
Overseas *(Note)*	**–**	2,203	**–**	–
	207,824	195,804	**55,890**	51,864

Note: The Group's overseas customers including but not limited to customers in Bangladesh and Taiwan.

* *Non-current assets exclude deferred tax assets, goodwill and available-for-sale financial assets.*

Information about major customers

For the year ended 31 December 2016, revenue generated from one (2015: one) customer of the Group amounting to approximately RMB48,400,000 (2015: RMB53,106,000) has individually accounted for over 10% of the Group's total revenue. No other single customer contributed 10% or more to the Group's revenue for both years ended 31 December 2016 and 2015.

Revenue from major customer, amounted to 10% or more of the Group's revenue, is set out below:

	2016	2015
	RMB'000	*RMB'000*
Customer A	**48,400**	53,106

5. REVENUE

The Group's revenue represents sales of nonwoven fabric products used in automotive interior decoration parts and other parts, rubber, food products and garment accessories.

An analysis of revenue is as follows:

	2016	2015
	RMB'000	*RMB'000*
Nonwoven fabric for use in automobiles		
– Sales of automotive floor carpets	**114,145**	96,529
– Sales of other automotive parts	**80,867**	63,507
Sales of rubber	**11,102**	22,057
Sales of garment accessories	**–**	13,711
Sales of food products	**1,710**	–
	207,824	195,804

6. OTHER GAINS OR LOSSES

	2016	2015
	RMB'000	*RMB'000*
Interest income	**68**	738
Consultancy fee income	**–**	423
(Loss)/gain on held-for-trading investments	**(44,190)**	178,732
Rental income	**119**	16
Impairment loss on available-for-sale financial assets	**(77,689)**	–
Others	**3,295**	3,797
	(118,397)	183,706

7. (LOSS)/PROFIT FROM OPERATIONS

The Group's (loss)/profit from operations is stated after charging the following:

	2016	2015
	RMB'000	*RMB'000*
Auditors' remuneration	**964**	964
Amortisation of prepaid land lease payments	**73**	73
Depreciation of property, plant and equipment	**5,795**	4,997
Operating lease rentals in respect of rented premises	**1,673**	956
Staff costs including directors' remuneration:		
– Salaries and other benefits	**13,406**	11,228
– Retirement benefits scheme contributions	**3,010**	2,760
Cost of inventories recognised as cost of sales	**180,814**	142,856
Loss on disposal of property, plant and equipment	**68**	24
Inventories written off	**327**	200
Impairment loss recognised on trade receivables	**4,130**	43
Impairment loss recognised on amount due from an associate *(Note 1)*	**–**	3,169
Impairment loss recognised on goodwill *(Note 1)*	**6,829**	16,239
Research and development expenditure *(Note 2)*	**7,687**	7,232

Note:

1. Impairment loss recognised on amount due from an associate and goodwill included in administrative expenses for the year ended 31 December 2016 were amounted to approximately RMBNil and RMB6,829,000 respectively (2015: RMB3,169,000 and RMB16,239,000 respectively)

2. The amounts included in cost of sales for the year ended 31 December 2016 amounted to approximately RMB7,687,000 (2015: RMB7,232,000).

8. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest expenses on bank borrowings wholly repayable within five years	**1,596**	1,705
Interest expenses on bank overdrafts	**–**	70
	1,596	1,775

9. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current tax		
Hong Kong	**32,222**	384
PRC enterprise income tax ("EIT")	**1,634**	1,459
	33,856	1,843
Overprovision for in previous years		
PRC EIT	**(351)**	(1,040)
Deferred tax		
(Credited)/charged to the consolidated statement of profit or loss and other comprehensive income	**(35,858)**	35,226
	(2,353)	36,029

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31 December 2016 and 2015.

PRC EIT is calculated at the applicable rates based on estimated taxable income earned by the PRC subsidiary of the Group with certain tax preference, based on existing legislation, interpretation and practice in respect thereof.

Pursuant to the enterprise income tax rules and regulations of the PRC, the applicable PRC EIT rate of the Group's PRC subsidiary is 25%.

Pursuant to PRC Enterprise Income Tax Law, an innovative and high-end technology enterprise may enjoy a preferential enterprise income tax rate of 15% ("IHT Enterprise Rate"). On 6 July 2015, Joystar (Wuxi) Automotive Interior Decoration Co., Ltd. ("Joystar Wuxi"), a subsidiary of the Company, obtained the Certificate of Innovative and High-end Technology Enterprise with validity period of three year and also enjoyed the IHT Enterprise Rate. Consequently, the applicable income tax rate of Joystar Wuxi for the year ended 31 December 2016 is 15% (2015: 15%).

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss per share amount is based on the loss for the year attributable to owners of the Company of approximately RMB133,580,000 (2015: profit approximately RMB131,977,000) and the weighted average number of ordinary shares of 1,762,503,189 (2015: 1,506,626,630) in issue during the year.

Diluted (loss)/earnings per share

For the years ended 31 December 2016 and 2015, diluted (loss)/earnings per share are the same as the basic (loss)/earnings per share as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2016 and 2015.

11. DIVIDEND

The directors do not recommend the payments of any dividend in respect of the year ended 31 December 2016 (2015: Nil).

12. TRADE RECEIVABLES

The aging analysis of trade receivables, based on the invoice date, and net of allowance for doubtful debts, is as follows:

	2016	2015
	RMB'000	*RMB'000*
0 to 90 days	**89,516**	60,845
91 to 180 days	**26,075**	13,191
181 to 365 days	**4,174**	24,232
Over 365 days	**13,411**	3,263
	133,176	101,531

The Group's trading terms with customers are mainly on credit. The credit terms generally ranging from 30 to 120 days (2015: ranging from 30 days to 120 days), depending on the creditworthiness of customers and the existing relationship with the Group. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing.

13. SHARE CAPITAL

	Note	Number of shares	Amount HK$'000	Amount RMB'000
Authorised:				
Ordinary shares of HK$0.1 each				
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016		10,000,000,000	1,000,000	863,495
Issued and fully paid:				
At 1 January 2015		1,382,400,000	138,240	113,062
Issue of share upon placing	*(a)*	276,480,000	27,648	21,775
At 31 December 2015 and 1 January 2016		1,658,880,000	165,888	134,837
Issue of share upon placing	*(b)*	331,776,000	33,177	28,522
At 31 December 2016		**1,990,656,000**	**199,065**	**163,359**

Note:

(a) On 9 July 2015, the Company and the placing agent entered into the placing agreement pursuant to which the placing agent agreed to place, on a best endeavour basis, to not less than six independent places for up to 276,480,000 new shares at a price of HK$0.345 per placing share. The placing was completed on 21 July 2015.

(b) On 22 August 2016, the Company and the placing agent entered into the placing agreement pursuant to which the placing agent agreed to place, on a best endeavour basis, to not less than six independent places for up to 331,776,000 new shares at a price of HK$0.145 per placing share. The placing was completed on 8 September 2016.

14. TRADE PAYABLES

The aging analysis of trade payables, based on the invoice dates, is as follows:

	2016 *RMB'000*	2015 *RMB'000*
0 to 90 days	**29,013**	10,444
91 to 180 days	**6,212**	102
181 to 365 days	**–**	25
Over 365 days	**4,519**	1,668
	39,744	12,239

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the manufacture and sale of nonwoven fabric products used in automotive interior decoration parts and other parts, and the trading of rubber and food products. The Group also deploys financial resource to securities investment and fund investment to achieve earnings in the form of capital appreciation and income from dividends.

Manufacture and sale of nonwoven fabric products

Manufacture and sale of nonwoven fabric products is one of the principal business of the Group. The Group manufactures its products with single layer or multiple layers of nonwoven fabric in accordance with specific requirements and standards of different customers. Most of the customers of nonwoven fabric products are primary manufacturers and suppliers of automotive parts in the PRC. The majority of the Group's products are further processed by these customers in order to make different automotive parts such as floor, head lining, seat cover, parcel tray, trunk, luggage-side trim, hubcap and car-mat, which are of different characteristics and are to be applied for different usages in passenger vehicles.

According to the statistics released from China Association of Automobile Manufacturers, the production and sales of passenger vehicles in the PRC were approximately 24,421,000 units and 24,377,000 units respectively for the year ended 31 December 2016, representing an increase of approximately 15.5% and 14.9%. However, as a result of increasing competition in the automotive industry, there were i) a decrease in profit margin of manufacturing and sale of nonwoven fabric products of the Group and ii) a loss on segment result of approximately HK$3.8 million for the year ended 31 December 2016.

Supply and procurement operation

The Group commenced its business of rubber trading since 2012 and the quoted price of rubber was generally varied according to the tendency of the commodities markets. To manage the risk, the Group mainly carried out that business in back-to-back model. As the significant fluctuation in price of top commodities, crude oil, the Group only accepted the orders with lower default risk and caused a significant decrease in revenue of trading of rubber.

Since the third quarter of 2016, the Group resumed the business of trading of food products and generated steady income to the Group for the year ended 31 December 2016.

Placing of new shares

On 22 August 2016, the Company entered into a placing agreement with a placing agent pursuant to which it agreed to procure independent placees to subscribe for an aggregate of 331,776,000 new shares in the Company (the "Placing") at a price of HK$0.145 per placing share. On 8 September 2016, the Placing was completed where a total of 331,776,000 new shares were issued. Net proceeds from the Placing was approximately HK$46.8 million (the "Net Proceeds") which was intended to be used i) for the proposed investment in a licensed corporation and ii) for the subscription of rights shares of an investment (the "Subscription"). At 31 December 2016, approximately HK$22.8 million of the Net Proceeds were utilized for the Subscription and the remaining approximately HK$24.0 million were placed with banks and would be used as intended.

FINANCIAL REVIEW

Revenue

The Group's revenue for the years ended 31 December 2016 and 2015 was illustrated as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Nonwoven fabric for use in automobiles		
– Sales of automotive floor carpets	**114,145**	96,529
– Sales of other automotive parts	**80,867**	63,507
Sales of rubber	**11,102**	22,057
Sales of garment accessories	**–**	13,711
Sales of food products	**1,710**	–
	207,824	195,804

For the year ended 31 December 2016, the Group's revenue increased to approximately RMB207.8 million, compared to approximately RMB195.8 million in 2015, representing a increase of approximately 6.1%. The increase in the Group's revenue was mainly attributable to the increase in revenue of sales of automotive floor carpets and other automotive parts.

Gross profit

For the year ended 31 December 2016, the Group's gross profit and profit margin respectively decreased to approximately RMB26.0 million and 12.5%. The decrease was mainly due to the increase in production costs of the Group.

Other gain or losses

For the year ended 31 December 2016, The Group's other gain or losses decreased by approximately RMB302.1 million from a gain of approximately RMB183.7 million in 2015 to a loss of approximately RMB118.4 million in 2016. The decrease was mainly due to the loss on held-for-trading investments of approximately RMB44.2 million and impairment loss on available-for-sale financial assets of approximately RMB77.7 million.

Administrative expenses

For the year ended 31 December 2016, The Group's administrative expenses decreased by approximately RMB2 million to approximately RMB31.1 million. The decrease was mainly attributable to the decrease in impairment loss recognised on goodwill of business of rubber trading. The impairment loss arose due to the adverse economic situation, the management has made certain conservative assumption on the forecast, including but not limited to decrease in estimated turnover.

Loss attributable to the owners of the Company

The loss attributable to the owners of the Company was approximately RMB133.6 million for the year of 2016 compared with a profit of approximately RMB132.0 million for the corresponding period of 2015. The change was mainly due to the loss on held-for-trading investments and the impairment loss on available-for-sale financial assets.

OUTLOOK

The Board expects that 2017 will still be a challenging year for the business of manufacture and sale of nonwoven products as the continuously increase in production costs for maintaining competitiveness and enhancing safety requirements to cope with the development of the automotive industry. To maintain its income stream, the Group will deploy its resources on:

(1) upgrading the production lines in order to improve the production efficiency;

(2) installing new machineries to suit the customers' varying requirements and demands on high-end products;

(3) conducting research and development to keep up with the latest technological trends in relation to product specifications; and

(4) strengthening the quality control systems to retain customer loyalty and reinforce the Group's reputation in the nonwoven fabric industry in the PRC.

As a result of the increasing risk of volatility in rubber price since the fluctuation in price of crude oil, the Group would be cautious in accepting orders to avoid any downside exposure. Furthermore, the Group would allocate the idle financial resources originally for the business of trading of rubber to expand the business of trading of foods products.

On 14 October 2016, the Group committed to invest in GEO Securities Limited ("GEO Securities"). GEO Securities has the licenses to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) in Hong Kong. The Board experts this investment will be completed in April 2017 and the Company would indirectly hold 42% of the equity interest in GEO Securities upon completion.

Going forward, with a view to achieving better return and enhancing the expansion of the Group, the Group will look for potential investment opportunities to diversify its business scope.

LIQUIDITY AND FINANCIAL RESOURCES

	At 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current assets	**327,471**	594,039
Current liabilities	**125,681**	55,864
Current ratio	**2.61**	10.63

The current ratio of the Group at 31 December 2016 was 2.61 times as compared to that of 10.63 times at 31 December 2015. It was mainly resulted from the decrease in held-for-trading investments and increase in tax payable during 2016.

At 31 December 2016, the Group's gearing ratio (represented by totals of bank borrowings divided by summation of total bank borrowings and equity) amounted to approximately 7% (2015: 5%).

TREASURY POLICY

The Group generally financed its operations by internal cash resources and bank financing. On 8 September 2016, the Company placed and allotted 331,776,000 shares at HK$0.145 to independent investors. The Net Proceeds was approximately HK$46.8 million.

At 31 December 2016, cash and bank balances of the Group amounted to approximately RMB86.4 million (2015: RMB83.3 million), and approximately RMB81.5 million (2015: RMB65.0 million) of which are denominated in Hong Kong dollars and United States dollars. Taking into account the Group's cash reserves and recurring cash flows from its operations, the Group's financial position is stable and healthy.

CAPITAL STRUCTURE

Except 331,776,000 shares of the Company were issued and allotted on 8 September 2016, there has been no material change in the capital structure of the Group since 31 December 2015.

FOREIGN EXCHANGE EXPOSURE

Majority of the assets and liabilities of the Group were denominated in Renminbi, United States dollars and Hong Kong dollars. At 31 December 2016, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

SIGNIFICANT INVESTMENTS

At 31 December 2016, the Group held a discretionary investment fund ("Discretionary Fund") as available-for-sale financial assets. The investment in the Discretionary Fund was approved by the shareholders of the Company at the general meeting of the Company held on 16 February 2016. The Discretionary Fund is managed by a corporation licensed under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong). The investment objective of the Discretionary Fund is to generate income and/or achieve capital appreciation through investing in a variety of the authorized investments.

Except the Discretionary Fund, at 31 December 2016, there was no investment held by the Group which value was more than 5% of the net assets of the Group.

Detail of the Discretionary Fund are as follows:

	Year ended 31 December 2016	**At 31 December 2016**		At 31 December 2015
	Impairment loss	**Fair Value**	**Approximate percentage to the net assets**	Fair Value
	RMB'000	***RMB'000***		*RMB'000*
Discretionary Fund	**77,689**	**235,708**	**47.7%**	–

The Group subscripted the Discretionary Fund mainly by subscription in kind with the shares of a Hong Kong listed company, China Jicheng Holdings Limited ("CJH"). The impairment loss on the Discretionary Fund of approximately RMB77.7 million was mainly due to the decline in share price of CJH, which weighted approximately 81.6% in its portfolio at 31 December 2016. Looking ahead, the value of the Discretionary Fund may be susceptible to the overall equity market conditions.

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisitions or disposal of subsidiaries and affiliated companies by the Group for the year ended 31 December 2016.

PLEDGE ON ASSETS

At 31 December 2016, the Group's buildings with a carrying amounts of approximately RMB6.3 million (2015: RMB6.6 million) and prepaid land lease payments with a carrying amounts of approximately RMB2.7 million (2015: RMB2.8 million) were pledged to banks for bank borrowings.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2016, the Group employed a total of 152 employees (2015: 150). The remuneration policy of the employees of the Group was set up by the Board on the basis of their experience, qualifications and competence. Other employees' benefits include contributions to statutory mandatory provident funds, and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

A remuneration committee was set up for, inter alia, reviewing the Group's remuneration policy and structure for all directors and senior management of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at the end of the year or at any time during the year.

DIRECTOR'S INTEREST IN COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the year.

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors during the year.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code ("Code") in Appendix 14 to the Listing Rules. Except for the deviation from Code provision A.2.1 and A.6.7, the Company complied with the Code for the year ended 31 December 2016.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhuang Yuejin is the Chairman and the Chief Executive Officer of the Company. Such deviation from Code provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a chief executive officer, and it provides the Group with strong and consistent leadership in the development and execution of long term business strategies. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are three independent non-executive Directors on the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests.

Code provision A.6.7 stipulates that independent non-executive Directors should attend general meetings of the Company. Owing to other business engagements, two independent non-executive Directors, Ms. Ng Li La, Adeline and Ms. Sung Kwan Wun, were unable to attend the general meetings of the Company held on 16 February 2016 and 3 June 2016.

AUDIT COMMITTEE

The Company established an audit committee on 13 September 2010 with written terms of reference in compliance with the Listing Rules. At 31 December 2016, the audit committee comprises three independent non-executive Directors, namely Mr. Mak Wai Ho (chairman of the audit committee), Ms. Ng Li La, Adeline and Ms. Zhu Chunyan. The audited consolidated results of the Group for the year ended 31 December 2016 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and adequate disclosures have been made.

By Order of the Board
China Automotive Interior Decoration Holdings Limited
Zhuang Yuejin
Chairman

Hong Kong, 30 March 2017

As at the date hereof, the executive directors are Mr. Zhuang Yuejin, Mr. Wong Ho Yin and Ms. Xiao Suni, and the independent non-executive directors are Mr. Mak Wai Ho, Ms. Ng Li La, Adeline and Ms. Zhu Chunyan.