Stock Code: 600699 **Stock Abbreviation: Joyson Electronics**

Ningbo Joyson Electronic Corp.

2016 Annual Report Summary

1. Important Notification

1.1

1.1 This annual report summary originates from full text of Joyson Electronics 2016 annual report. Please refer to the full text on the Shanghai Stock Exchange official website or other websites authorized by China Securities Regulatory Commission for details.

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;)) :
executives should guarantee that all information in the annual report is true, accurate and complete, and it contains no false records, misleading statements or major omissions, in addition to undertaking the individual and joint responsibilities.

1.3
1.3 All directors of the company attended the conferences of Board of Directors.

1.4
1.4 Ruihua Certified Public Accountants (Limited Liability Partnership) issued the standard and unqualified auditor's report.

1.5
1.5 Preplans of profit distribution or transfer from capital reserve to common shares deliberated by the Board of Directors during the reporting period.

2016 949,289,000 10
2.0 189,857,800

The profit distribution proposal passed upon deliberation at the meeting of the Board of Directors is set out as follows: Based on the total share capital (949,289,000 shares), all cshareholders will receive a cash dividend of RMB 2 (tax inclusive) per each 10 shares, and the total cash dividend is RMB 189,857,800.

2. General Information

Company Profile

A			600699	
Company Information				
Stock type	Stock exchange where the shares of the company are listed	Stock abbreviation	Stock code	Former stock abbreviation
A Share	Shanghai Stock Exchange	Joyson Electronics	600699	Liaoyuan Deheng

	1266	1266
	0574-87907001	0574-89078965
	600699@joyson.cn	kai.yu@joyson.cn
Contact Information	Board Secretary	Securities Affairs Representative
Name	Ye Shuping	Yu Kai
Address	No.1266 Juxian Road Hi-Tech Park Ningbo, China	No.1266 Juxian Road Hi-Tech Park Ningbo, China
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2. Brief i ing period

Looking back at the year 2016, annual sales volume of the global automotive market kept a (2 automotive research company JATO Dynamics, 84.24 million vehicles were sold in 2016 all over the world with a year-on-year growth rate of 5.6%. China, India and Europe are the top three leading contries in terms of the sales volume. It is worth noting that growth rate of the Chinese auto market

remained as global leader, maintaining the vehicle market at ten-million-level. According to statistics revealed by China Association of Automobile Manufactures (CAAM), 28.119 million vehicles were produced while 28.028 million vehicles were sold in 2016, with the year-on-year growth rates of 14.5% and 13.7% respectively (11.2% and 9.0% growth rates in 2015), which created a historical new high again.

Meanwhile, the mergers and acquisitions in the auto industry occurred in large quantities. In September 2016, Qualcomm, mobile chip giant, declared its purchasing plan for NXP Semiconductors at the price of USD 110/share, which made 8
supplier of vehicle chips. In November 2016, Samsung Electronics also announced that it would purchase Harman International with 8 billion US dollars in cash, which made it into a supplier of intelligent connection technology with siginificant impacts in the industry on a global scale. It is undeniable that this series of aggressive activities more or less reflect Samsung Electronics managements positive attitudes toward automotive industry. Moreover, in March 2017, Intel declared its purchasing plan for the Mobileye, an Israeli information technology company, with 15 billion US dollars to realize its important layout in the field of automatic driving. In the whole year of 2016, the total amount of mergers and acquisitions exceeded USD 40 billion, ranking historically high levels.

On the one hand, hot fields with long-term development space and high expectation, such as automatic driving and new energy vehicles, drew much attention from the industry and the

capital; On the other hand, containing both the properties of the traditional automotive industry and the systematic complexities of the high-tech industry, the fields mentioned above destined to be a long evolution process that requires continuous input in funds and manpower. Commercialization process might be slower than expected, which is a realistic challenge to all practitioners.

Again, company achieved high growth and leap in 2016. In specific, company generated about RMB 18.6 billion in annual revenue and RMB 0.45 billion in net profits attributable to shareholders of the company, which were much higher than in 2015. Based on the continuous and stable development of several major original businesses, company successfully compeleted the acquisitions of KSS and TS, and company s main business covered four domains, that is, human machine interface (HMI), active & passive safety, infotainment and car connectivity, which still maintained leading position in the world wide.

After completing the acquisitions of KSS and TS, company immediately launched a massive integration processes:

a. increased capitals for KSS to seize this opportunity of industry changes. Company also helped KSS to expand globally, add new capacity and improve operational efficiency. By the end of 2016, company gained roughly USD 5 billion new orders, and corresponding deliveries would begin in the second half of 2018. Those orders mentioned above were from Japanese clients, Korean clients and other star enterprises.

b. besides, company helped KSS and PCC to prepare and expand R&D centers in China, and increased investments in frontier areas, which combined globally leading technologies with Chinese market to gradually realize Synergistic effects.

Assuming KSS and TS were included in the consolidated scope for whole year of 2016, total annual revenue in 2016 was already higher than RMB 20 billion. Besides, with more than 20 thousand global employees, company can now be ranked as one of the top 100 automotive suppliers, and has certain influences on this industry. In 2016, although company undertook much interest expenses from bank loans for acquisition projects, company still insisted on high level R&D inputs, and achieved a series of representative results in the frontier fields, which made company continue its leading position in the segment industry.

3. Key accounting data and financial indicators

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3.1 Key accounting data and financial indicators from 2014 to 2016

Net profits attributable to shareholders of the company	120,747,649.73	124,211,671.22	158,480,229.16	50,254,275.75
Net profits attributable to shareholders of the company excluding non-recurring gains and losses	104,941,516.43	119,704,048.25	151,488,575.71	11,178,164.06
Net cash flow generated from operating activities	99,046,756.45	-113,732,104.20	452,011,768.93	236,363,052.77

In the fourth quarter, the net profits attributable to shareholders of the company was mainly caused by the expenses of intermediary services and due diligence investigation in the merger projects, as well as the amortization of purchase price allocation (PPA) for KSS and PCC.

Explanation for the differences between the quarterly data and the disclosed periodical report data

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Shareholder information

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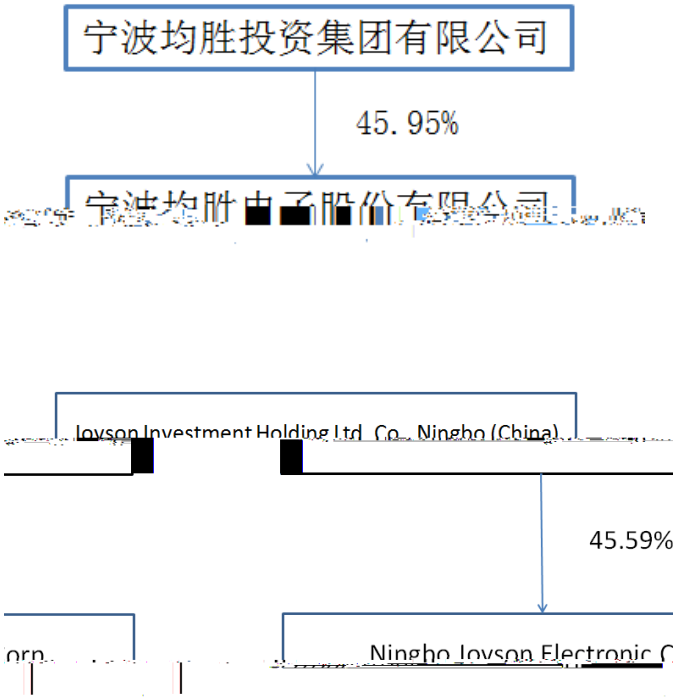
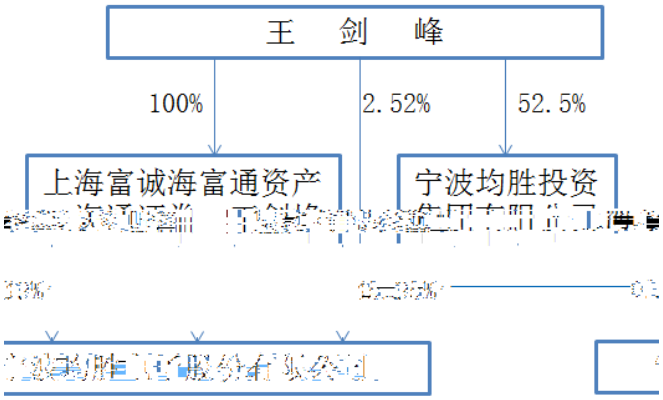
4.1 Total number of common shareholders and preferred shareholders with restored voting rights as well as the top 10 shareholders by 2016/12/31

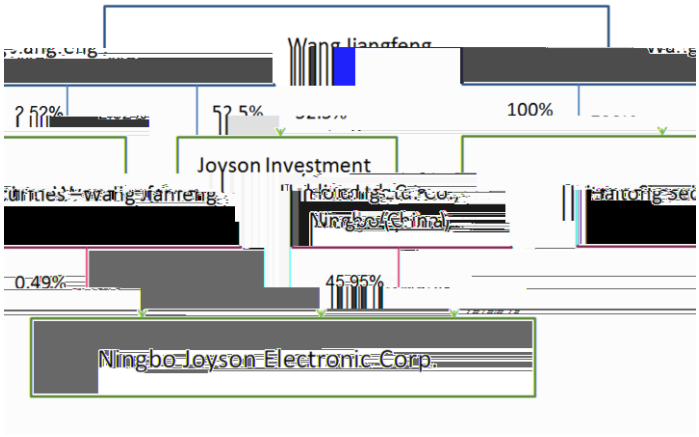
Company Ltd.							
National Social Security Fund (No.109 Portfolio)	6,659,401	12,759,297	1.85		N/A		Other
China Great Wall Asset Management Corporation		11,037,735	1.60		N/A		Domestic state-owned



4.3 The ownership and controlling relationship between the actual controller of the company and the company is detailed as follows:

Applicabl Not applicable





3. Business Discussion and Analysis

1 Main Business Situations during the Reporting Period

2016

Main business operating conditions in 2016 were as follows:

(1) Main Business Analysis

Material changes of accounts from Income Statement and Cash Flow Statement

Unit: Yuan Currency: RMB

Account	Amount for the current period	Amount for the prior period	Flux (%)
Revenue	18,552,409,199.63	8,082,534,215.33	129.54%

Cost of sales	15,055,792,237.94	6,332,880,433.03	137.74%
Selling expenses	468,043,569.24	378,296,093.87	[redacted]
Administrative expenses	1,736,957,367.96		

(2) the new R&D investments and the pre-projects inputs from the major subsidiaries;
(3) the increased selling expenses, administrative expenses during the acquisiotion process and the integration after the acquisition have certain influences on the cash flow;

Explanation for changes in the **net cash flow from investment activities**: the huge decline was mianly caused by the payments for the acquisition transactions;

Explanation for changes in the **net cash flow from financing activities**: the substantial rise was mainly caused by the new bank loans for acquisitions as well as the new raised funds from the non-public offering;

Explanation for changes in the **R&D expenditures**: the double sized R&D expenditrues was mainly caused by the following two reasons:
(1) R&D expenditures from KSS and PCC were included in the

	757,253,991.78	578,769,386.40	23.57	35.99	35.64	0.20
	18,266,143,128.29	14,796,461,341.13	19.00	133.75	143.63	3.28
			%	%	%	%
	5,826,091,283.57	4,827,658,707.95	17.14	158.98	165.21	1.95
	12,440,051,844.72	9,968,802,633.18	19.87	123.56	134.40	3.70

Unit: Yuan Currency: RMB

By Industry						
Industry	Revenue	Cost of Sales	Gross Margin (%)	Revenue Flux (%)	Cost of Sales Flux (%)	Gross Margin Flux (%)
Automotive Parts	18,266,143,128.29	14,796,461,341.14	19.00	133.75	143.63	3.28 decrease
Total	18,266,143,128.29	14,796,461,341.14	19.00	133.75	143.63	3.28 decrease
By Product						
Product	Revenue	Cost of Sales	Gross Margin (%)	Revenue Flux (%)	Cost of Sales Flux (%)	Gross Margin Flux (%)
Automotive Electronics - HMI Automotive Electronics	5,101,873,029.63	3,847,978,494.69	24.58	14.13	13.52	0.41 increase

Intelligent Manufacturing	757,253,991.78	578,769,386.40	23.57	35.99	35.64	0.20 increase
Total	18,266,143,128.29	14,796,461,341.13	19.00	133.75	143.63	3.28 decrease
By Region						
Region	Revenue	Cost of Sales	Gross Margin (%)	Revenue Flux (%)	Cost of Sales Flux (%)	Gross Margin Flux (%)
Domestic region	5,826,091,283.57	4,827,658,707.95	17.14	158.98	165.21	1.95 decrease
Foreign region	12,440,051,844.72	9,968,802,633.18	19.87	123.56	134.40	3.70 drease

Explanation for the main business classified by industry, product and region

(Not applicable

The **human machine interface** (HMI) business continued to maintain a highr growth rate. To be specific, the gross margin was enhanced by 0.41 percentage points, and shipment of the systematical products with high unit price increased;

The **car connected system** (PCC) business in 2016 contributed RMB 2.25 billion revenue and 11.86% gross margin, which was obviously improved (the 2016 semi-annual gross margin was 8.25%).In the wake of following business integration, it is undoubtedly to foresee the profitability would be improved in the futrue;

The **automotive safety system** (KSS) business in 2016 contributed RMB 7.27 billion revenue on the basis of consolidated scope. After completing the acquisition process, company immediately made large scale of integrations and inputs into the KSS business, which had negative impacts on the profibility but laid solid foundation for the long-term development in the future;

In terms of the **automotive components and assembly** business this year, a slight drop in revenue was mainly because that Shanghai Huade was excluded from the range of consolidated financial statements. Apart from the impacts of Shanghai Huade, this business kept a stable growth. The increased 5.15 percentage points of the gross margin are caused by the enhanced proportion of business with high gross margin;

The **new energy vehicle electronics** business achieved the revenue of RMB 443 million with a year-on-year growth rate of 48.58%, and it would kept a pretty high growth rate in the futrue. C

Automotive Electronics Automotive Components and Assembly	28,002,994	28,860,185	9,318,518	-2.33	-2.87	-5.70
New Energy Vehicle Electronics	1,425,891	1,448,090	100,724	28.56	28.26	-18.06

Exlanation for Production and Sales

Human-machine interface (HMI) products: shipment of the systematical products with high unit price increased while shipment of small components with low unit price decreased. Therefore, sales volume and gross profit rate were obviously improved;

Car connected system: since the demand from customer sustained strong, the stock was pretty low;

Automotive safety system: since the demand from customer continued to increase, production output was much higher than the stock;

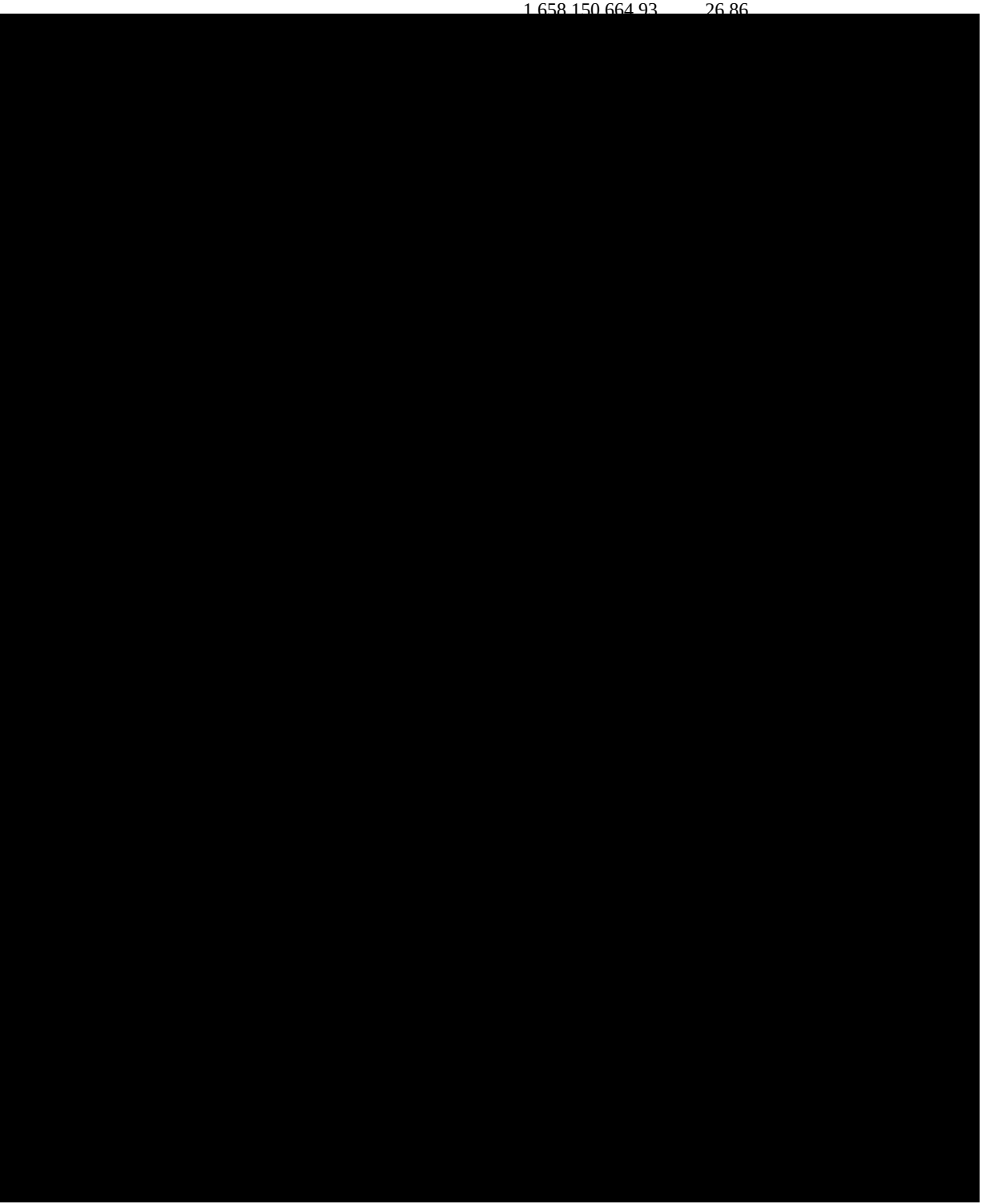
Automotive components and assembly: since business of Shanghai huade was excluded from the consolidated range, production and sales were negatively influenced to a certain extent. However, grossmargin was still obviously improved;

New energy vehicle electronics: both production volume and sales volume enhaced sharply, which was mainly because that company expanded sales volume of the new energy vehicles to meet related customers needs.

(3). Cost Analysis Schedule

			(%)		(%)	(%)

			(%)		(%)	(%)
		2,639,198,918.23	68.59	2,272,590,940.48	67.06	16.13
		1,208,779,576.46	31.41	1,116,536,846.20	32.94	8.26
		1,632,560,924.58	82.39			
		348,939,205.03	17.61			
		4,516,288,318.95	73.14			
		1,658,150,664.93	26.86			



Electronics - HMI	overheads					
Automotive Electronics Car Connected System	Raw materials	1,632,560,924.58	82.39			
Automotive Electronics Car Connected System	Manufacturing overheads	348,939,205.03	17.61			
Automotive Electronics Automotive Safety System	Raw materials	4,516,288,318.95	73.14			
Automotive Electronics Automotive Safety System	Manufacturing overheads	1,658,150,664.93	26.86			
Automotive Electronics						

(2) promot the global procurement operation to reduce the cost of raw materials;
(3) invest and establish operations, or expand production capacities in the low-cost regions (China, Mexico and Macedonia) to reduce production costs.

(4). Major Customers and Suppliers

Appli Not applicable

Total revenue of the top 5 customers was about RMB 11.835 billion, accounting for 64% of the annual revenue. The total revenue of related party among those top 5 customers was nil, accounting for 0% of the annual revenue.

Total purchasing amount of the top 5 suppliers was RMB 1.366 billion, occupying 9% of the annual purchasing amount. The total purchasing amount of related parties among the top 5 suppliers was nil, occupying 0% of the annual purchasing amount.

2. Expenses

(Not applicable

Selling expenses: after the acquisitions, company integrated the customer resources all over the world to improve the sales control and management system, which yielded favorable results and effectively reduced the share of the entire selling expense in revenue;

Administrative expenses: the dramatic increase in administrative expense was mainly due to the improved revenue after the acquisitions. Despite the larger growth of the absolute number, the share of administrative expenses in the revenue presented a downward trend as a result of synergistic effects. It is predicted that the overall the administrative expenses will continue to drop in the future;;

Financial expenses: the sharp increase in financial expenses was primarily caused by new bank loans within the reporting period.

3. R&D Expenditrues

Changes in the net cash flow from operating activities: due to the business growth in this year, the net cash flow from operating activities rose by about 15.13%.

Changes in the net cash flow from financing activities: as a result of the new loans and raised funds from non-public offering.

Changes in the net cash flow from investment activities: rise was mainly caused by acquiring the KSS and TS.

(2) Explanation for the Significant Changes in Profitabilities Caused by the Non-major Business

Applicable 5

(3) Assets and Liabilities Analysis

(Not applicable

1. Assets and Liabilities

		%		%	%	

Cash and bank balances	9,191,003,348.07	24.69	3,424,564,301.89	30.02	168.38	
Accounts receivable	4,401,700,195.98	11.82	1,113,766,716.96	9.76	295.21	
Inventories	3,003,625,378.63	8.07	1,167,401,597.82	10.23	157.29	
Fixd assets	5,578,169,211.23	14.98	2,459,676,540.97	21.56	127.23	
Construction in progress	1,072,097,625.17	2.88	461,577,727.01	4.05	132.27	
Short-term borrowings	3,625,480,525.93	9.74	1,772,577,485.52	15.54	104.53	
Long-term borrowings	9,113,488,978.42	24.48	573,742,215.63	5.03	1,530.35	
Accounts payable	4,303,959,061.39	11.56	1,015,424,561.44	8.90	323.86	

Other Explanations

Increases in assets were mainly because that KSS and TS were included in the consolidated scope after the acquisitions.

The rises in the long and short-term loans were mainly caused by the demands for business growth and loans for acquisition projects.

2. Restrictions of the major assets by the report period

Applicable 5

3. Other Explanations

Applicable 5

(4) Industry Information Analysis

(Not applicable

Automotive Industry Information Analysis

1. Production Capacity

Applicable 5

2. Production and Sales of Vehicles

Applicable 5

3. Production and Sales of Automotive Parts

(Not applicable

By Automotive Parts Category

(Not applicable

	Sales Volume			Production Volume		
Product	Cumulative value in current year	Cumulative value in previous year	Flux (%)	Cumulative value in current year	Cumulative value in previous year	Flux (%)
Automotive Electronics - HMI	28,794,047.00	29,089,497	-1.02	29,101,593.00	29,089,497	0.04
Automotive Electronics Car Connected System	2,052,387.00	N/A	N/A	2,052,387.00	N/A	N/A
Automotive Electronics Automotive Safety System	38,906,784.60	N/A	N/A	45,967,102.70	N/A	N/A
Automotive	28,860,185.29	29,713,756	-2.87	28,002,994.11	28,669,765	-2.33

Electronics Automotive Components and Assembly						
New Energy Vehicle Electronics	1,448,090.19	1,129,016	28.26	1,425,890.55	1,109,106	28.56

By Market Category

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4. New Energy Vehicle Business

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5. Other Explanations

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(5) Investment Status Analysis

1. General Analysis on Foreign Equity Investment

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During the reporting period, company kept up with the development trends of the automotive industry, and entered the field of automotive safety market by implementing the major asset

the field of automatic driving, especially the business layout in the fields of active and passive safeties, telematics, car connected system and intelligent HMI. The product layout in the intelligent vehicles, especially the automatic driving and vehicle information as well as the intelligent manufacturing business were comprehensively improved.

(1) Significant Equity Investments

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In the first half of 2016, company completed the 100% share acquisition of the KSS and TS, all details were specified in *Joyson Electronics: Report about Implementing the Major Asset-purchase;*

In April 2016, company completed the assigning of the 1.938% shares from management team of the Preh Holding, the details were specified in *Joyson Electronics: Assigning the Stock Right & Connected Transaction with the Preh Holding Gmbh*;

In May 2016, -owned subsidiary Ningbo Joyson Intelligent Telematics Co., Ltd. purchased 10% stock right of Car Joy, the details were specifis

(7) Major Holding and Joint-stock Companies Analysis

2 Situations and reasons for the termination of IPO

Applicable 5

3 Analysis and explanation for the reasons and influences of changes in accounting policy and accounting estimation

Applicable 5

4 Analysis and explanation for the reasons and influences of the corrections to significant accounting error

Applicable 5

5 Comparing with the financial reports of the previous year, company should make specific explanation in case of changes in the consolidation scope for the financial statements.

(Not applicable

During the reporting period, company undergone the business combination under the non-common control and completed purchasing the 100% share rights of KSS Holdings Inc., ; : . / , (5((" : (VIII) Changes in the Consolidation Scope and (IX) 9 details.