浙江展望股份有限公司

ZHEJIANG PROSPECT COMPANY LIMITED*

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

(Stock Code : 8273)

2014 ANNUAL REPORT

* for identification purpose only

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This report, for which the directors of Zhejiang Prospect Company Limited ("the Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirmed that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

* For identification purpose only

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Li Min *(Former Chairman)*
(resigned on 2 February 2015)
Mr. Fei Guo Yang *(Chairman)*
(appointed on 2 February 2015)
Mr. Hong Guo Ding *(Managing Director)*
Mr. Hong Chun Qiang

Non-executive Directors

Mr. Tang Cheng Fang
Mr. Li Zhang Rui
Ms. Tang Jing Jing
(appointed on 2 February 2015)

Independent non-executive Directors

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

Supervisors

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

Independent Supervisors

Mr. Wang Zhong
Mr. Wang Ye Gang

Qualified Accountant

Ms. Kwok Pui Ching CPA

Company Secretary

Ms. Kwok Pui Ching CPA

Audit Committee (the "Audit Committee")

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

Nomination Committee (the "Nomination Committee")

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

Remuneration Committee (the "Remuneration Committee")

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

Compliance Officer

Mr. Hong Guo Ding

Authorized Representatives

Mr. Fei Guo Yang
Mr. Hong Guo Ding

Authorized Person To Accept Service Of Process And Notice

Loong & Yeung
Suites 2001-06, 20th Floor
Jardine House, 1 Connaught Place
Central, Hong Kong

Auditor

Crowe Horwath (HK) CPA Limited

Legal Advisers as to Hong Kong Laws

Loong & Yeung

Compliance Adviser

Octal Capital Limited *(the term of office was ended on 9 October 2014)*

Principal Bankers

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

Hong Kong Share Registrar and Transfer Office

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

Registered Office

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

Principal Place of Business in Hong Kong

Suites 2001-06, 20th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

GEM Stock Code

08273

Chairman's Statement

I am pleased to present to our shareholders the annual report of Zhejiang Prospect Company Limited* (the "Company") for the year ended 31 December 2014.

BUSINESS REVIEW

Due to the recovery of the global economy, the Company's had an slight increase in sales in 2014. Under the leadership of the Company's board (the "Board") of directors (the "Directors"), the staff of the Company will continue to commit and work hard to lay a firm foundation for further growth of the Company.

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

In order to develop new markets and new customers, new products were tailored by the Company for customers' needs and special efforts were made to develop new overseas markets. The total number of universal joints produced and sold in 2014 amounted to approximately 10.24 million sets and approximately 10.05 million sets, respectively, representing an increase of approximately 2.4% and decrease of approximately 6.07% respectively as compared to approximately 10.00 million sets and approximately 10.70 million sets in 2013.

Turnover for the year ended 31 December 2014 amounted to approximately RMB82.30 million, representing an increase of approximately 2.73% as compared to RMB80.11 million for the year ended 31 December 2013. Net loss after tax amounted to approximately RMB3.22 million, a decrease of approximately 62.47% as compared to net loss of RMB8.58 million for the year ended 31 December 2013. The increase in turnover was mainly due to the increase in demand from overseas corporations customers.

BUSINESS OBJECTIVES AND OUTLOOK

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

Expand the production capacity of primary products

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

Expand product types

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

Chairman's Statement

Strengthen product research and development

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

Expand the PRC and international markets

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

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

Continually improve product quality

The Company has obtained the TS16949 Certification. On this basis, the Company will continue to strengthen its quality management and strive to enhance its product quality and reduce production costs of its products. The Directors believe that high product quality and more competitive pricing will be the key to substantially increasing the market competitiveness of its products.

LOOKING AHEAD

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

Zhejiang Prospect Company Limited*

Fei Guo Yang
Chairman

Zhejiang Province, the PRC
23 March 2015

* *For identification purpose only*

Management Discussion and Analysis

BUSINESS OVERVIEW

Due to the recovery of worldwide economy, there is an increase in sales of the Company in 2014. Under the leadership of the Board, the staff will continue to work hard to lay a firm foundation for further growth of the Company.

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

BUSINESS REVIEW

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

The Company's products are distributed through its own sales force to transmission shaft factories as well as automobile repair factories in the PRC. These domestic sales represented approximately 14.47% of the total turnover in 2014, as compared to approximately 14.29% of the total turnover in 2013. In addition, the Company sells its products to import and export corporations in the PRC, which accounted for approximately 31.15% and approximately 36.81% of the total turnover in 2014 and 2013 respectively. The Company has been selling its products directly to overseas customers in countries and regions including Russia, Taiwan, the United States, India, Italy and Japan. For 2014, direct sales to overseas customers represented approximately 54.38% (2013: approximately 48.64%) of the Company's total turnover.

AUTOMOBILES COMPONENTS AND PARTS INDUSTRY

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

DEVELOPMENT OF NEW PRODUCTS

During 2014, the Company continued to develop new models and specifications of wing bearing universal joints and heavy-duty series of universal joints.

TURNOVER

Turnover amounted to approximately RMB82.30 million in 2014, representing an increase of approximately 2.73% as compared to approximately RMB80.11 million in 2013. For the year ended 31 December 2014, export sales of approximately RMB44.76 million were contributed by overseas (including Hong Kong) customers, sales of approximately RMB25.64 million were attributable to the import and export companies, which were then sold to various overseas markets, and domestic sales were approximately RMB11.90 million for the year ended 31 December 2014.

COST OF SALES AND GROSS PROFIT

Cost of sales decreased from approximately RMB75.34 million in 2013 to approximately RMB73.05 million in 2014, representing a decrease of approximately 3.04% as compared to the previous year. Gross profit margin of the Company's products slightly increased 5.28% to 11.24% in 2014 as compared to 5.96% in 2013 primarily due to decrease in raw material cost and depreciation in Renminbi.

Management Discussion and Analysis

OTHER REVENUE

Other operating income in 2014 amounted to approximately RMB0.42 million, representing a decrease of approximately 38.23% from that of approximately RMB0.68 million in 2013. This was mainly due to the decrease in government subsidy (social security).

DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

Distribution costs for 2014 totaled to approximately RMB1.96 million. This represents an increase of approximately 5.95% from that of approximately RMB1.85 million in 2013. The increase was in line with the increase in turnover.

In 2014, administrative expenses of the Company were approximately RMB7.51 million, representing a decrease of approximately 12.37% compared to that of approximately RMB8.57 million in 2013. The decrease in administrative expenses was mainly due to control of expenses.

OTHER OPERATING EXPENSE

Other operating expense amounted to approximately RMB3.40 million in 2014 (2013: approximately RMB3.5 million), comprises the impairment loss on property, plant and equipment. As at 31 December 2014, the recoverable amount of the property, plant and equipment was assessed by the Board. The Board is of the opinion that the decrease in the recoverable amount of the property, plant and equipment was mainly attributable to severe and challenging market conditions towards the end of 2014 and 2013. The impairment loss of RMB3.40 million was recognised in "Other operating expense".

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

FINANCE COSTS

In the financial year of 2014, the finance costs of approximately RMB0.74 million comprised interest on interest-bearing borrowings, representing a decrease of approximately 33.93% from that of approximately RMB1.12 million in 2013.

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

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

EXPOSURE IN EXCHANGE RATE FLUCTUATIONS

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

Among the Company's trade receivables, net of provision, approximately 37.00% (2013: 35.13%) were denominated in USD and 63.00% (2013: 64.87%) were denominated in RMB.

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

As the Directors considered the Company's foreign exchange risk to be insignificant, the Company did not use any financial instruments for hedging purpose during the year ended 31 December 2014.

SIGNIFICANT INVESTMENTS HELD

The Company had not held any significant investments during the year ended 31 December 2014.

FINANCIAL RESOURCES AND LIQUIDITY

The shareholders' equity amounted to approximately RMB65.18 million as at 31 December 2014 (2013: approximately RMB68.40 million). Current assets amounted to approximately RMB66.01 million as at 31 December 2014 (2013: approximately RMB66.16 million), of which approximately RMB10.55 million (2013: approximately RMB10.98 million) was cash and cash equivalents. As at 31 December 2014, the Company had interest-bearing borrowings of approximately RMB10.00 million (2013: approximately RMB15.00 million), of which RMB10.00 million is due for repayment within one year.

For the year ended 31 December 2014, all of the Company's borrowings were made in RMB at fixed interest rates and cash and cash equivalents amounted to RMB9.14 million (2013: RMB9.47 million) and RMB1.41 million (2013: RMB1.51 million) were held in RMB and US dollar respectively.

Interest-bearing borrowings

The Company borrowed an entrusted loan of RMB15.00 million from a PRC Government related organisation through a bank in the PRC. The loan was originally due for repayment on 28 July 2011. The Company negotiated with the lender and the loan was subsequently extended to 29 December 2013.

On 26 December 2013, the lender agreed with the Company to further modify the repayment schedule that RMB5.00 million and RMB10.00 million should be repaid before 31 December 2014 and 31 December 2015 respectively. On 19 December 2014, the Company repaid the first installment of RMB5.00 million to the lender.

The entrusted loan contains a repayable on demand clause and has been classified under current liabilities as at 31 December 2014 and 2013. The entrusted loan is guaranteed by a related party.

As at 31 December 2014, the effective interest rate of the entrusted loan (which also equals to contractual interest rates) was 7.47% (2013: 7.47%) per annum.

As at 31 December 2014 and 2013, 浙江嘉利蛋白纖維有限公司 ("浙江嘉利") has given guarantees in respect of the interest-bearing borrowings of the Company amounting to RMB10.00 million and RMB15.00 million respectively. 浙江嘉利 is a company established in the PRC, in which 浙江展望控股集團有限公司 ("浙江展望控股") holds 47% equity interest. Mr. Tang Li Man, the then executive director of the Company (resigned on 2 February 2015) has an equity interest of 70.48%.

CONTINGENT LIABILITIES

As at 31 December 2014, the Directors were not aware of any material contingent liabilities.

CHARGES ON ASSETS

As at 31 December 2014, no assets of the Company were charged or pledged.

GEARING RATIO

The Company's gearing ratio, based on total liabilities to shareholders' equity, amounted to approximately 0.47 (2013: approximately 0.51) as at 31 December 2014.

CAPITAL STRUCTURE

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

As at 31 December 2014, the Company's operations were financed mainly by shareholders' equity, internal resources and interest-bearing borrowings. The Company will continue to adopt its treasury policy of placing the Company's cash and cash equivalents in interest bearing deposits.

EMPLOYEE INFORMATION

During the year ended 31 December 2014, the Company had 289 employees (2013: 307). They were remunerated in accordance with their performance and the market condition. Other benefits available to eligible employees include retirement benefits. The Company does not have a share option scheme. The remuneration of the Directors are determined with reference to the Company's performance and profitability as well as the remuneration level within the industry and prevailing market conditions. The total remuneration of the Company's employees was approximately RMB12.09 million for the year ended 31 December 2014 (2013: 12.60 million), including Directors' remuneration. Staff salary and production line workers salary were mainly based on piece rate. The Company's back office staff salary was mainly based on yearly remuneration, with an increase of approximately 5% per annum.

OUTLOOK AND PROSPECT

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

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

Profiles of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Fei Guo Yang (費國楊先生), aged 44, is the chairman of the Company and an executive Director. He is responsible for the production and sales of the Company. From June 1991 to November 1994, he was the workshop head of Shaoxing Zhanwang Knitting Factory* (紹興縣展望針織廠); from December 1994 to December 2002, he was the head of general office of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司); and from January 2000 to February 2002, he became the deputy general manager of Shaoxing Prospect Universal Joint Company Limited* (紹興展望萬向節有限公司), the predecessor of the Company. From March 2002 onwards, he has been the general manager of the Company. He completed his vocational education in finance and accounting at Shaoxing Broadcasting and Television Vocational School (紹興市廣播電視中等專業學校) in 1997. He has been attending courses of economics and management at Huazhong University of Science & Technology (華中科技大學). He has over 10 years of working experience in production and sales. He joined Shaoxing Prospect Universal Joint Company Limited* (紹興展望萬向節有限公司), the predecessor of the Company, at the time of its establishment in 1995 as a supervisor, was appointed as a Director in 2000. He was appointed as the chairman of the Company in February 2015.

Mr. Hong Guo Ding (洪國定先生), aged 51, is the managing Director, executive Director and compliance officer of the Company. He is responsible for the administration and finance of the Company. From February 1991 to December 1992, he was the deputy head of Shaoxing Zhanwang Knitting Factory* (紹興縣展望針織廠); from January 1993 to January 1995, he was the deputy general manager of Shaoxing Prospect Industrial Company Limited* (紹興縣展望實業有限公司) and factory head of Shaoxing Huqiao Garment Factory (紹興縣滬橋製衣廠); and from February 1995 to August 1999, he was the deputy general manager of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司). From September 2000 onwards, he has been the general manager of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司). He completed his tertiary education in administration and management at Hangzhou University (杭州大學) in 1996. He was accredited as "Economist" by the Personnel Bureau of Shaoxing County (紹興縣人事局) in July 1998. He has over 10 years of experience in corporate administrative management. He joined Shaoxing Prospect Universal Joint Company Limited* (紹興縣展望萬向節有限公司), the predecessor of the Company, at the time of its establishment in 1995 as a supervisor and was appointed as a Director in 2000.

Mr. Hong Chun Qiang (洪春強先生), aged 38, is an executive Director. He is responsible for the administration and management of the Company. From July 1996 to December 1997, he worked at the finance department of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司); from January 1999 to March 2000, he was secretary to chairman of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司); and from April 2000 to February 2003, he was the deputy head of the general office of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司). From March 2003 onwards, he has been a department manager of the Company. He completed his tertiary education in economics and management at Shaoxing School of Arts and Science (紹興文理學院). He was appointed as a supervisor of the Company in February 2000, and was appointed as an executive Director in May 2004.

* *For identification purpose only*

Profiles of Directors, Supervisors and Senior Management

Non-executive Directors

Mr. Tang Cheng Fang (唐成芳先生), aged 50, is a non-executive Director. From January 1991 to June 1992, he was in charge of the accounting division of Shaoxing Zhanwang Knitting Factory* (紹興縣展望針織廠); from July 1992 to July 1995, he served as the chief accountant of Shaoxing Prospect Industrial Company Limited (紹興縣展望實業有限公司); and from August 1995 to April 2001, he served as the finance manager of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司). From May 2001 to May 2008, he was the general manager of Zhejiang Prospect New Synthetic Fibre Company Limited* (浙江展望新合纖有限公司). He completed his tertiary education in economics and management at Zhejiang University of Technology (浙江工業大學) in 1998. He was qualified as an assistant accountant in March 1999 and has over 10 years of experience in corporate finance and accounting. He joined Shaoxing Prospect Universal Joint Company Limited* (紹興展望萬向節有限公司), the predecessor of the Company, at the time of its establishment in 1995 as a supervisor and was appointed as a Director in 2000.

Mr. Li Zhang Rui (李張瑞先生), aged 49, is a non-executive Director. From July 1987 to April 1993, he worked for Hangzhou Vacuum Tube Factory* (杭州電子管廠); from April 1993 to October 1994, he was the manager of the development department of Zhejiang Rongsheng Textile Company Limited* (浙江榮盛紡織有限公司); from October 1994 to May 2000, he worked for Zhejiang International Economic and Technical Cooperation Corporation* (浙江國際經濟技術合作公司); and from July 2000 to June 2002, he served as the deputy general manager of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司). From August 2002 to December 2008, he has been the general manager of Zhejiang Zhanwang Printing and Dyeing Company Limited (浙江展望印染有限公司). He obtained a bachelor's degree in electrical engineering from Xi'an Jiaotong University (西安交通大學) in 1987. He joined the Company as a non-executive Director in August 2002.

Ms. Tang Jing Jing (唐暻晶女士), aged 26, is a non-executive Director. Ms. Tang obtained a bachelor degree in accounting and finance in 2010 from University of Manchester in the United Kingdom. Ms. Tang has been the deputy manager in Zhejiang Tang Rui Shi Ye Fa Zhan Company Limited* (浙江唐瑞實業發展有限公司) since April 2012. Ms. Tang jointed the Company as a non-executive Director in February 2015.

Independent non-executive Directors

Mr. Wang He Rong (王和榮先生), aged 54, a senior accountant, is an independent non-executive Director. From April 1994 to January 2000, he worked for Shaoxing Hongtai Certified Public Accountants* (紹興宏泰會計師事務所). From February 2000 onwards, he has been the chief accountant of Shaoxing Hongtai Certified Public Accountants* (紹興宏泰會計師事務所). He completed his tertiary education in economics and management at Zhejiang China's Communist Party School Distance Learning College* (中共浙江省委黨校函授學院). He was appointed as an independent non-executive Director in March 2003.

Mr. Lu Guo Qing (陸國慶先生), aged 50, is an independent non-executive Director. In 1986, he graduated from the Hangzhou University (杭州大學) with a bachelor's degree in law. He is PRC qualified attorney to practise securities law in the PRC. From 1988 to 1998, he practised law at Zhejiang Guoda Law Firm* (浙江國大律師事務所) (formerly known as Zhejiang Shaoxing County Law Firm* (浙江紹興市律師事務所)) as its deputy head and later its head. He is currently a partner of Zhejiang Zhong Fa Da Law Firm* (浙江中法大律師事務所). He is currently as independent non-executive director of Zhejiang Yonglong Enterprise Co., Ltd. (浙江永隆實業股份有限公司), whose shares are listed on GEM Board of the Stock Exchange. He was appointed as an independent non-executive Director in March 2003.

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Profiles of Directors, Supervisors and Senior Management

Mr. Ma Hong Ming (馬洪明先生), aged 52, is an independent non-executive Director. He is the principal of Shaoxing Zhong Xing Accounting Firm* (紹興中興會計師事務所). He obtained his master degree in management from Shanghai Financial and Economic Studies University* (上海財經大學). From December 1981 to March 1992, he worked for Shaoxing Xing Hong Chemical Fibre Company Limited* (紹興興虹化纖公司) as finance manager; from March 1992 to December 1999, he was the assistant principal of Shaoxing County Audit Firm* (紹興縣審計事務所); and from January 2000 onwards, he served as the principal of Shaoxing Zhong Xing Accounting Firm* (紹興中興會計師事務所). He is the general manager of Shaoxing Zhong Xing Assets Valuation Company* (紹興中興資產評估公司) and Shaoxing Zhong Xing Tax Consultants* (紹興中興稅務師事務所). He was an independent director of Zhejiang Jing Gong Technology Company Limited* (浙江精工科技股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange. He has been appointed as an independent non-executive Director in May 2004.

SUPERVISORS

Mr. Hong Jin Shui (洪金水先生), aged 51, is the accountant of the Company since 1996. From October 1986 to October 1989, he worked for the sales department of Shanghai Qian Jiang branch of Shaoxing County Qian Qing Supplier* (紹興縣錢清供銷社上海錢江經營部) as cashier; from November 1989 to 1990, he was the salesman of the Yangxunqiao branch of Shaoxing County Qian Qing Supplier* (紹興縣錢清供銷社楊汛橋分社); from 1991 to 1994, he was the salesman of the retail department of Qian Qing Association* (錢清聯購分銷服務部); from 1995 to 1996, he served as the cashier of Shaoxing Prospect Universal Joint Company Limited* (紹興展望萬向節有限公司), the predecessor of the Company. He was appointed as a supervisor of the Company in May 2004.

Mr. Feng Yun Lin (馮雲林先生), aged 57, is a supervisor of the Company ("Supervisor"). From April 1991 to May 1995, he was the deputy general manager of Shaoxing Zhanwang Wool Sweater Factory* (紹興展望羊毛衫廠); and from July 1996 to August 2000, he was the deputy general manager of Zhejiang Prospect Industrial Group Limited* (浙江展望實業集團有限公司). From September 2000 onwards, he has been the head of the Village Committee of Zhanwang Village, Yangxunqiao Town, Shaoxing County* (紹興縣楊汛橋鎮展望村村民委員會). He was appointed as a supervisor of the Company in August 2002.

Mr. Chen Jin Long (陳金龍先生), aged 41, is a Supervisor. He joined the Company in January 1998 as head of precision workshop. From July 1992 to April 1995, he worked for Shaoxing Dongjiangqiao Agricultural Machinery Factory* (紹興東江橋農機廠); and from June 1995 to December 1997, he worked for Shaoxing Keqiao Hardware Factory* (紹興柯橋五金廠) as a production line supervisor. He was appointed as a supervisor of the Company in February 2000.

INDEPENDENT SUPERVISORS

Mr. Wang Zhong (王眾先生), aged 47, is an independent Supervisor. He is responsible for supervising the Board, managers and other senior officers of the Company and reporting directly to the shareholders in general meeting of the Company. He is a practising attorney in the PRC. He is currently a deputy head (operations) of the Shanghai Branch of Beijing Jingdu Law Firm* (北京市京都律師事務所). Mr. Wang Zhong is a member of the law society in the PRC. In 2002, he attended training sessions for independent directors of listed companies held by China Securities Regulatory Commission and Fudan University. He was appointed as an independent supervisor in March 2003.

* *For identification purpose only*

Profiles of Directors, Supervisors and Senior Management

Mr. Wang Ye Gang (王葉剛先生), aged 46, is an independent Supervisor. He is responsible for supervising the Board, managers and other senior officers of the Company and reporting directly to shareholders in general meeting of the Company. He obtained a master degree in business administration from Zhejiang University (浙江大學). He is currently a general manager of Zhejiang Botong Venture Capital Company Limited* (浙江博通創業投資有限公司). He was appointed as an independent supervisor in March 2003.

SENIOR MANAGEMENT

Mr. Fu Yong Jun (傅永君先生), aged 43, is the manager of the technology and quality department of the Company. He graduated from Xiaoshan Yisheng High School (蕭山市義盛中學) in 1989. He has approximately 10 years of experience in the production technology of universal joints. During the period from 1993 to 1996, he was the chief quality control officer of Wanxiang Qianchao Co. Ltd.* (萬向錢潮股份有限公司). He joined the Company in May 1996.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Ms. Kwok Pui Ching (郭佩貞女士), aged 49, is a qualified accountant with over 7 years of experience in accounting, auditing and financial management. She graduated with a degree of Bachelor of Social Sciences from The University of Hong Kong in 1986 and is an associate member of the Hong Kong Institute of Certified Public Accountants. She had worked for Ernst and Young. During the period from 1996 to 1998, she worked for a foreign-invested enterprise responsible for financial management. From September 1998 to August 2000, she was employed by PCCW Limited as finance manager. Subsequently, she worked for an investment consultancy limited. She joined the Company in June 2003.

Corporate Governance

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

For the year ended 31 December 2014, the Company has adopted and complied with the code provisions (the "Code Provision(s)") set out in the Corporate Governance Code (the "Code") in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprises Market ("GEM") of the Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

BOARD OF DIRECTORS

The Board currently comprises nine persons, consisting of three executive Directors, namely Mr. Fei Guo Yang (Chairman), Mr. Hong Guo Ding (Managing Director) and Mr. Hong Chun Qiang; three non-executive Directors, namely Mr. Tang Cheng Fang, Mr. Li Zhang Rui and Ms. Tang Jing Jing, and three independent non-executive Directors, namely Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming. Mr. Tang Li Min has resigned on 2 February 2015. Non-executive Directors possess appropriate academic and professional qualifications or related financial management expertise and have brought a wide range of business and financial expertise to the Board.

The composition of the Board and details of attendance of Board meetings, meetings of other committees and general meetings held throughout the financial year ended on 31 December 2014 are as follows:

	Attendance/number of meetings				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Executive Directors					
Mr. Fei Guo Yang *(appointed as Chairman on 2 February 2015)*	7/7	–	–	–	1/1
Mr. Tang Li Min *(former Chairman) (resigned on 2 February 2015)*	7/7	–	–	–	1/1
Mr. Hong Guo Ding *(Managing Director)*	7/7	–	–	–	1/1
Mr. Hong Chun Qiang	6/7	–	–	–	1/1
Non-executive Directors					
Mr. Tang Cheng Fang	4/7	–	–	–	1/1
Mr. Li Zhang Rui	0/7	–	–	–	0/1
Independent non-executive Directors					
Mr. Wang He Rong	6/7	4/4	1/1	1/1	1/1
Mr. Lu Guo Qing	4/7	2/4	1/1	1/1	1/1
Mr. Ma Hong Ming	3/7	3/4	0/1	0/1	1/1

Board meetings are held at least four times a year. It is also held as and when necessary to discuss significant transactions, including material acquisitions and disposals and connected transactions, if any. All Directors are given an opportunity to include matters in the agenda for Board meetings. There were seven meetings of the Board held during the year ended 31 December 2014 and the average attendance rate was approximately 70%.

Corporate Governance

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

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

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

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

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS AND GOING CONCERN

The Directors acknowledge their responsibility for preparing the Company's financial statements. The Company incurred a net loss attributable to the owners of the Company of RMB3.22 million (2013: RMB8.58 million) during the year ended 31 December 2014. Notwithstanding the above, the financial statements have been prepared on a going concern basis. In preparing the financial statements, the Directors have given careful consideration to the impact of the current and anticipated future liquidity of the Company and the ability of the Company to attain profitable and positive cash flow operations in the immediate and longer term.

Based on the cash flow projections of the Company and having taken into account the available financial resources of the Company, the Directors have concluded that the Company is able to continue as a going concern and to meet their financial obligations as and when they fall due in the foreseeable future, having regards to the Company had cash and cash equivalents of RMB10.55 million and net current assets of RMB35.67 million as at 31 December 2014.

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

For the year ended 31 December 2014, Mr. Tang Li Min, Mr. Hong Guo Ding, Mr. Fei Guo Yang, Mr. Hong Chun Qiang, Mr. Tang Cheng Fang, Mr. Li Zhang Rui, Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming, had participated in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

The Directors have provided a record of the training they received to the Company for the year ended 31 December 2014.

CHAIRMAN

The former Chairman, Mr. Tang Li Min (resigned on 2 February 2015), is the leading person of the Board for the year ended 31 December 2014. He was responsible for ensuring that the Directors receive adequate information, which must be complete and reliable, in a timely manner and all Directors are properly briefed on the issues arising at the Board meetings. He also ensured that:

– the Board works effectively and discharges its responsibilities;

– all key and appropriate issues are discussed by the Board in a timely manner;

– good corporate governance practices and procedures are established; and

– appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the Board as a whole.

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

MANAGING DIRECTOR (CHIEF EXECUTIVE)

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

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

AUDIT COMMITTEE

An Audit Committee was established by the Board in 2004. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming, with appropriate academic and professional qualifications or related financial management expertise. Mr. Ma Hong Ming is the chairman of the Audit Committee. Meetings are held at least two times a year and are attended by external auditors for the purpose of discussing the nature and scope of audit work and assessing the Company's internal controls. Separate meetings will also be held with the external auditor (in the absence of management) as and when required. The Audit Committee held four meetings in the year ended 31 December 2014 to review, inter alia, the Company's quarterly, half-yearly and annual financial statements and reviewed the internal control systems and to recommend to the Board the appointment of an external auditor. The average attendance rate was approximately 75% during the year ended 31 December 2014.

The duties of the Audit Committee include the following:

Relationship with the Company's auditor

(a) to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard, and discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) to develop and implement policy on engaging an external auditor to supply non-audit services (for this purpose, the external auditor includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally), and report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of financial information of the Company

(d) to monitor integrity of the Company's financial statements, annual report and accounts and half-year and quarterly reports; and to review significant financial reporting judgments contained in them, focusing particularly on:

    (i) any changes in accounting policies and practices;

    (ii) major judgmental areas;

    (iii) significant adjustments resulting from audit;

    (iv) the going concern assumptions and any qualifications;

    (v) compliance with accounting standards; and

    (vi) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting;

(e) in regard to (d) above:

    (i) members of the Audit Committee must liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditor; and

    (ii) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor;

Corporate Governance

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

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

(g) to discuss with the management the internal control system and ensure that management has performed its duty to have an effective internal control system which should include adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(h) to consider major investigations findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(i) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(j) to review the Company's financial and accounting policies and practices;

(k) to review the external auditor's management letter, any material queries raised by the auditor to management to accounting records, financial accounts or systems of control and management's response;

(l) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(m) to report to the Board on the matters set out in the Code Provisions;

(n) to consider other topics, as defined by the Board;

Other duties

(o) to review arrangements by which employees may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters;

(p) to act as the key representative body for overseeing the Company's relation with the external auditor; and

(q) to report back to the Board on their decisions or recommendation.

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

NOMINATION COMMITTEE

The Nomination Committee was re-named from the Nomination and Remuneration Committee (established in October 2005) with effect from 30 March 2012. Its members include all independent non-executive Directors, namely, Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming, with Mr. Ma Hong Ming as the chairman of the Nomination Committee. For the year ended 31 December 2014, the Nomination Committee resolved, assessed and reviewed the structure, size and composition (including skills, knowledge and experience of the Board and succession planning).

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

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

	Attendance/ Committee Meetings held
Mr. Ma Hong Ming *(chairman)*	0/1
Mr. Wang He Rong	1/1
Mr. Lu Guo Qing	1/1

Board Diversity Policy

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

REMUNERATION COMMITTEE

The Remuneration Committee was established by the Board on 30 March 2012 with written terms of reference with effect from 30 March 2012. Its members include all independent non-executive Directors, namely, Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming, with Mr. Ma Hong Ming as the chairman of the Remuneration Committee. For the year ended 31 December 2014, the Remuneration Committee resolved, assessed and reviewed the policy and structure for the remuneration of all the Directors and the Company's senior management, the establishment and the mechanism of the remuneration policies, the remuneration packages of all executive Directors and senior management including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, remuneration of non-executive Directors and the performance of Directors in their terms of office.

The main duties of the Remuneration Committee are to regularly make recommendations to the Board on the Company's policy and structure for the remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee should also review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is other fair and no excessive. The model of making recommendations to the Board on remuneration packages of individual executive Directors and members of senior management has been adopted.

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

	Attendance/ Committee Meetings held
Mr. Ma Hong Ming *(chairman)*	0/1
Mr. Wang He Rong	1/1
Mr. Lu Guo Qing	1/1

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

CORPORATE GOVERNANCE DUTIES

The Board is responsible for performing the corporate governance duties as set out in the Code Provision D.3.1. During the year ended 31 December 2014, the Board had reviewed and discussed the corporate governance policy of the Company and was satisfied with the effectiveness of the corporate governance policy of the Company.

COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary, Ms. Kwok Pui Ching, who is responsible to the Board for ensuring that procedures are followed and that all applicable laws and regulations are complied with. The Company Secretary is also a source of advice to the Chairman and to the Board in relation to the applicable Code. Draft and final versions of minutes of Board meetings and meetings of Board committees are sent to all Directors or committee members respectively for their comments and record. All minutes of Board meetings and meetings of Board committees are kept by her and are open for inspection by any Director.

For the year ended 31 December 2014, Ms. Kwok Pui Ching, as the company secretary, has taken no less than 15 hours of relevant professional training.

QUALIFIED ACCOUNTANT

The Company has employed a qualified accountant, Ms. Kwok Pui Ching, on a full time-basis. Being a fellow member of the Hong Kong Institute of Certified Public Accountants, she is responsible for the financial reporting procedures of the Company and compliance with the requirements under the GEM Listing Rules.

SENIOR MANAGEMENT

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

Senior management's remuneration payment of the Company in the year ended 31 December 2014 falls within the following band:

	Number of Individual
RMB500,000 or below	1

ACCOUNTABILITY AND INTERNAL AUDIT

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

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

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors are responsible for overseeing the preparation of the annual accounts which give a true and fair view of the Company's state of affairs of the results and cash flow for the year. In preparing the accounts for the year ended 31 December 2014, the Directors had:

(a) approved the adoption of all HKFRSs which are generally adopted in Hong Kong;

(b) selected suitable accounting policies and applied them consistently; and

(c) made judgments and estimates that were prudent and reasonable; and ensured the accounts were prepared on the going concern basis.

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

A statement by the auditors about their reporting responsibilities is included in the Independent Auditor's Report on pages 35-36.

INTERNAL CONTROL

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

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

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

The Directors conducted a review covering the effectiveness of all material control systems, including financial, operational and compliance controls and risk management functions of the Company for the fiscal year ended 31 December 2014; and were satisfied that an effective and adequate internal control system had been in operation. The Directors came to such conclusion based on their clearly set company policies and procedures, specific limits of authority, budgetary controls and regular monitoring of performance.

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

AUDITOR'S REMUNERATION

Crowe Horwath (HK) CPA Limited had been appointed as the Company's external auditor by the shareholders at the 2013 annual general meeting held by the Company on 20 May 2014 until the conclusion of the forthcoming annual general meeting. They are primarily responsible for providing audit services in connection with the annual financial statements.

During the year ended 31 December 2014, the total remuneration in respect of audit services provided by the external auditor amounted to HK$460,000. No fees were paid to the external auditor for non-audit services during the year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiry had been made to all Directors who had confirmed that they had complied with the required standard of dealings and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2014.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES OF THE COMPANY

As at 31 December 2014, the interests and short positions of the Directors, chief executives and supervisors of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.46 of the GEM Listing Rules, were as follows:

Corporate Governance

Long position in shares

Director/Supervisor	Capacity	No. and class of securities	Approximate percentage of domestic shares	Approximate percentage of total registered share capital
Mr. Tang Li Min (resigned on 2 February 2015)	Beneficial owner	36,626,666 domestic shares	68.33%	47.82%
Mr. Hong Guo Ding	Beneficial owner	3,216,000 domestic shares	6%	4.2%
Mr. Tang Cheng Fang	Beneficial owner	2,680,000 domestic shares	5%	3.5%
Mr. Fei Guo Yang	Beneficial owner	1,072,000 domestic shares	2%	1.4%
Mr. Feng Yun Lin	Beneficial owner	1,072,000 domestic shares	2%	1.4%

Saved as disclosed above, as at 31 December 2014, none of the Directors, chief executives and supervisors of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listings Rules.

OTHER PERSONS

So far as was known to any Director or chief executive of the Company, as at 31 December 2014, the following persons (other than the Directors, chief executives and supervisors of the Company as disclosed in the paragraph headed "Directors' and Supervisors' interests in Shares of the Company" above) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares

Names of Shareholders	Capacity	No. and class of securities	Approximate percentage of shareholding in the same class of securities	Approximate percentage of shareholding in the total registered share capital
Mr. Tang Jing Qi (formerly known as Tang Liu Jun)	Beneficial owner	4,466,667 domestic shares	8.33%	5.83%
Ms. Tang Jing Jing	Beneficial owner	4,466,667 domestic shares	8.33%	5.83%
Greater China 1 Private Placement Fund	Investment Manager	1,360,000 H shares	5.91%	1.77%

Saved as disclosed above, as at 31 December 2014, the Directors were not aware of any other person (other than the Directors, chief executives and supervisors of the Company as disclosed in the paragraph headed "Directors' and Supervisors' interests in Shares of the Company" above) who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

COMMUNICATION WITH SHAREHOLDERS

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

SHAREHOLDERS' RIGHTS

Convening An Extraordinary General Meeting

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

(1) Shareholder(s) who hold(s) in aggregate 10 per cent or more of the shares vested with voting rights in such a meeting may sign one or several written requisitions in the same form requesting the Board to convene an EGM or a class shareholders' meeting, and the subject matter of the meeting shall be specified. Upon the receipt of the aforesaid written requisitions, the Board shall convene an extraordinary general meeting or a class shareholders' meeting as soon as possible. The calculation of the number of shares held as aforesaid shall be made as at the date of the written requisitions.

(2) If the Board fails to give notice of meeting within 30 days of the receipt of the aforesaid written requisitions, the shareholders making such requests may convene a meeting within four months of the receipt of the said requisitions by the board of directors. The procedure for convening the meeting shall, as far as possible, be the same as those for convening a shareholders' meeting by the Board.

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

Putting Enquiries to the Board

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

Corporate Governance

Putting Forward Proposals at Shareholders' Meeting

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

Investor Relations

During the year ended 31 December 2014, there had been no significant change in the Company's constitutional documents.

Report of the Board of Directors

The Directors submit their report together with the audited financial statements of the Company for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION OF OPERATION

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

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

The results and the state of affairs of the Company for the year ended 31 December 2014 are set out on pages 37 to 85 of the annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The Company's sales to the five largest customers accounted for approximately 47.82% of the Company's turnover during the year ended 31 December 2014 (2013: 51.53%). The Company's sales to the largest customer accounted for approximately 14.93% of the Company's turnover during the year ended 31 December 2014.

The Company's purchases attributable to the five largest suppliers in aggregate during the year ended 31 December 2014 amounted to approximately 63.51% of the total purchases (2013: 59.62%). The Company's purchases attributable to the largest supplier accounted for approximately 23.78% of the Company's total purchases during the year ended 31 December 2014 (2013: 25.82%).

At no time during the year ended 31 December 2014 had the Directors, their respective associates or any shareholders of the Company (who, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had any interest in the aforesaid major customers and suppliers of the Company.

FINANCIAL STATEMENTS

The loss and cash flows of the Company for the year ended 31 December 2014 and the state of the Company's affairs as at the date are set out in the financial statements on pages 37 to 40.

DIVIDENDS

The Directors did not recommend the payment of any dividend during and for the year ended 31 December 2014.

CHARITABLE DONATIONS

There was no charitable donations made by the Company during the year ended 31 December 2014.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Company during the year ended 31 December 2014 are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of the share capital during the year are set out in note 24 to the financial statements.

RESERVES

Details of movements in reserves of the Company during the year are set out in note 25 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2014 and 31 December 2013, the Company did not have distributable reserves.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years is set out on page 85.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save as disclosed in note 27 on the financial statements, no contract of significance to which the Company, its holding company, its controlling shareholder, or any of its fellow subsidiaries was a party, nor contract of significance in which a Director or supervisor of the Company had a material interest, either directly on indirectly, nor contract of significance for the provision of services to the Company by its controlling shareholder or any of its subsidiaries subsisted at the end of the year of 2014 or at any time during the year ended 31 December 2014.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

DIRECTORS AND SUPERVISORS

The Directors and supervisors of the Company during the year ended 31 December 2014 and up to the date of this report are:

Executive Directors

Mr. Tang Li Min *(Former Chairman) (resigned on 2 February 2015)*
Mr. Hong Guo Ding *(Managing Director)*
Mr. Fei Guo Yang *(appointed as Chairman on 2 February 2015)*
Mr. Hong Chun Qiang

Non-executive Directors

Mr. Tang Cheng Fang
Mr. Li Zhang Rui
Ms. Tang Jing Jing *(appointed on 2 February 2015)*

Independent non-executive Directors

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

Supervisors

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

Independent supervisors

Mr. Wang Zhong
Mr. Wang Ye Gang

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

DIRECTORS' AND SUPERVISORS' EMOLUMENTS

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

EMOLUMENT POLICY

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

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Company or previously entered into by the Company and subsisted during the year ended 31 December 2014 are disclosed in note 27 to the financial statements. The following related party transactions are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements according to the following applicable GEM Listing Rules:

– Rule 20.71(6), 20.93 and 20.94 of the GEM Listing Rules in relation to the key management personnel remuneration as disclosed in note 27(a) to the financial statements in this annual report;

– Rule 20.71, 20.85 and 20.89 of the GEM Listing Rules in relation to the amount due to a related party as disclosed in note 27(b)(i), and the provision of guarantee to the Company as disclosed in Note 27(c)(i) to the financial statements in this annual report.

The following related party transaction as disclosed in note 27(c)(ii) to the financial statements in this annual report constituted continuing connected transactions under Chapter 20 of the Listing Rules and are subject to the reporting and announcement requirements set out in rules 20.69 to 20.70 of the GEM Listing Rules and are exempt from the independent shareholders' approval requirements.

Report of the Board of Directors

Continuing Connected Transactions in 2014

Pursuant to an electricity tariff agency agreement (the "2013 Electricity Agreement") between the Company and Zhejiang New Synthetic Fibre Company dated 13 November 2013, Zhejiang New Synthetic Fibre Company would provide electricity to the Company from 1 January 2014 until 31 December 2014. The calculation of electricity tariff is based on the meter reading of the Company's separately installed meter. Pricing of the electricity tariff is determined with reference to the uniform rate payable by Zhejiang New Synthetic Fibre Company to Keqiao Power Supply Division of the Shaoxing Power Supply Bureau* (紹興電力局柯橋供電分局). The fee payable by the Company to Zhejiang New Synthetic Fibre Company is determined on an actual cost basis and is allocated on a fair and equitable basis.

The amount of fees and charges payable to Zhejiang New Synthetic Fibre Company during the term of the 2013 Electricity Agreement was expected not to exceed RMB7,500,000 from 1 January 2014 to 31 December 2014. The fees and charges under the 2013 Electricity Agreement are payable every ten days by cash.

At the date of signing of the 2013 Electricity Agreement, Zhejiang New Synthetic Fibre Company was a connected person of the Company as Mr. Tang Li Min, the then executive Director (resigned on 2 February 2015) and a controlling shareholder of the Company, held 70.48% of the equity interests in Zhejiang Prospect Holdings Group Limited* (浙江展望控股集團有限公司) ("Shaoxing Group") which, in turn held 70% of the equity interests of Zhejiang New Synthetic Fibre Company. Mr. Hong Guo Ding, Mr. Tang Cheng Fang and Mr. Fei Guo Yang, three of the Directors, had an equity interest of 10.84%, 9.97% and 3.68% respectively in Shaoxing Group. Mr. Tang Li Min (the then Director), Mr. Hong Guo Ding and Mr. Fei Guo Yang, the current Directors were directors of Shaoxing Group and Mr. Hong Chun Qiang, a Director, was a supervisor of Shaoxing Group. Accordingly, Zhejiang New Synthetic Fibre Company is a connected person of the Company pursuant to the GEM Listing Rules and the entering into the 2013 Electricity Agreement constituted continuing connected transaction of the Company subject to the reporting and announcement requirements set out in rules 20.45 to 20.47 of the GEM Listing Rules and are exempt from the independent shareholders' approval requirements.

For further details of the 2013 Electricity Agreement, please refer to the announcement of the Company dated 13 November 2013.

The independent non-executive Directors have examined and confirmed that the continuing connected transaction under the 2013 Electricity Agreement:

(1) has been entered into by the Company in its ordinary and usual course of business;

(2) has been entered into on terms that are fair and reasonable, and in the interests of the shareholders of the Company as a whole;

(3) has been entered into on normal commercial terms or, where there is no available comparison, on terms no less favorable than those available to and from independent third parties;

(4) has been entered into in accordance with the terms of the agreement governing such transaction; and

(5) the Company should continue with the transaction.

The auditor of the Company has also confirmed that the continuing connected transaction under the 2013 Electricity Agreement (i) had received the approval from the Board; (ii) had been entered into in accordance with the relevant agreement governing such transactions; and (iii) had not exceeded the relevant cap for the financial year ended 31 December 2014 as disclosed in the announcement of the Company dated 13 November 2013. On 1 January 2015, the connected transaction with Zhejiang New Synthetic Fibre Company was terminated. Electricity will be purchased directly from 紹興電力局柯橋供電分局 (Shaoxing Electricity Company Ke Qiao Electricity Supply Precinct*).

The Company confirms it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules for connected transactions and continuing connected transactions.

COMPETING INTERESTS

None of the Directors and Supervisors and their respective associates had any interest in any businesses which directly or indirectly compete with the business of the Company during the year ended 31 December 2014.

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

The Company had not purchased, sold or redeemed any of its listed securities during the year ended 31 December 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

MANAGEMENT CONTRACTS

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

AUDIT COMMITTEE

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

The Audit Committee comprises three independent non-executive Directors, namely Mr. Wang He Rong, Mr. Lu Guo Qing and Mr. Ma Hong Ming. The Audit Committee had reviewed the Company's annual results and this announcement, including the Company's financial statements for the year ended 31 December 2014 and had provided advice and comments thereon to the Board. The Audit Committee have reviewed the annual results and was of the opinion that the Company's annual results and this announcement complied with the applicable accounting standards and the applicable laws and regulations including the GEM Listing Rules, and that adequate disclosures had been made.

INTERESTS OF THE COMPLIANCE ADVISER

None of the Company's compliance adviser, Octal Capital Limited, its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company from the date of its appointment to 9 October 2014 pursuant to Rule 6A.32 of the GEM Listing Rules. The term of office of the Compliance Adviser was ended on 9 October 2014.

RETIREMENT BENEFIT COSTS

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

CORPORATE GOVERNANCE CODE

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

For the year ended 31 December 2014, the Company has adopted and complied with the code provisions set out in the Corporate Governance Code (the "Code") in Appendix 15 to the GEM Listing Rules.

POST BALANCE SHEET EVENTS

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the five years is set out on page 85.

PUBLIC FLOAT

From information publicly available to the Company and with in the knowledge of the Directors, at least 25% of the Company's total issued share capital are held by the public at all times during the year ended 31 December 2014 and up to the date of this annual report.

CLOSURE OF SHARE REGISTER

The H Share register of members of the Company will be closed from Monday, 20 April 2015 to Thursday, 21 May 2015 (both dates inclusive), during which no transfer of H shares will be registered. In order to qualify for attending the annual general meeting of the Company to be held on Thursday, 21 May 2015, unregistered holders of H shares of the Company should ensure that all transfers of H shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 17 April 2015.

AUDITOR

The financial statements for the year ended 31 December 2014 have been audited by Crowe Horwath (HK) CPA Limited who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of Crowe Horwath (HK) CPA Limited as the auditor of the Company will be proposed at the forthcoming annual general meeting.

At the Annual General Meeting held on 21 May 2013, the shareholders of the Company had passed the resolution to appoint Crowe Horwath (HK) CPA Limited as the new auditors of the Company to fill the vacancy arising from the retirement of CCIF CPA Limited.

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

Zhejiang Province, the People's Republic of China
23 March 2015

Report of the Supervisory Committee

To the shareholders of the Company

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

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

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

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2014 and has great confidence in the future of the Company.

By Order of the Supervisory Committee
Zhejiang Prospect Company Limited*

Mr. Hong Jin Shui
Chairman

Zhejiang Province, the PRC
23 March 2015

Independent Auditor's Report

Crowe Horwath™

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ZHEJIANG PROSPECT COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

We have audited the financial statements of Zhejiang Prospect Company Limited (the "Company") set out on pages 37 to 84, which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2014, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 23 March 2015

Betty P.C. Tse
Practising Certificate Number P03024

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Turnover	4	**82,301**	80,114
Cost of sales		**(73,053)**	(75,341)
Gross profit		**9,248**	4,773
Other revenue	5	**421**	679
Other net income	5	**732**	1,000
Distribution costs		**(1,961)**	(1,847)
Administrative expenses		**(7,514)**	(8,566)
Other operating expenses	15	**(3,400)**	(3,500)
Loss from operations	6	**(2,474)**	(7,461)
Finance costs	7	**(741)**	(1,119)
Loss before taxation		**(3,215)**	(8,580)
Income tax	8	**–**	–
Loss for the year attributable to owners of the Company		**(3,215)**	(8,580)
Other comprehensive income for the year, net of nil tax		**–**	–
Total comprehensive loss for the year attributable to owners of the Company		**(3,215)**	(8,580)
Loss per share			
Basic and diluted	10	**(RMB0.042)**	(RMB0.112)

The notes on pages 41 to 84 form part of these financial statements.

Statement of Financial Position

As at 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	15	24,328	31,896
Prepaid lease payments	16	5,188	5,327
Intangible assets	17	–	–
		29,516	37,223
Current assets			
Prepaid lease payments	16	139	139
Inventories	18	21,617	21,480
Trade and other receivables	19	33,705	32,812
Amount due from a related party	20	–	753
Cash and cash equivalents	21	10,553	10,975
		66,014	66,159
Current liabilities			
Trade and other payables	22	20,349	19,986
Interest-bearing borrowings	23	10,000	15,000
		(30,349)	(34,986)
Net current assets		35,665	31,173
NET ASSETS		65,181	68,396
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	76,600	76,600
Reserves	25	(11,419)	(8,204)
TOTAL EQUITY		(65,181)	68,396

The financial statements on pages 37 to 84 were approved and authorised for issue by the board of directors on 23 March 2015 and signed on its behalf by:

Fei Guo Yang
Director

Hong Guo Ding
Director

The notes on pages 41 to 84 form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company				
	Share capital	**Share premium**	**Statutory Surplus Reserve**	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	76,600	246	5,709	(5,579)	76,976
Changes in equity for 2013:					
Loss for the year	–	–	–	(8,580)	(8,580)
Other comprehensive income	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	(8,580)	(8,580)
At 31 December 2013 and 1 January 2014	**76,600**	**246**	**5,709**	**(14,159)**	**68,396**
Changes in equity for 2014:					
Loss for the year	**–**	**–**	**–**	**(3,215)**	**(3,215)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**(3,215)**	**(3,215)**
At 31 December 2014	**76,600**	**246**	**5,709**	**(17,374)**	**65,181**

The notes on pages 41 to 84 form part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Loss before taxation		**(3,215)**	(8,580)
Adjustments for:			
Depreciation of property, plant and equipment		**4,938**	4,980
Amortisation of prepaid lease payments		**139**	139
Interest income		**(181)**	(231)
Finance costs		**741**	1,119
Gain on disposal of property, plant and equipment		**(48)**	–
Impairment loss on property, plant and equipment		**3,400**	3,500
Impairment loss on trade receivables		**1,475**	1,605
Reversal of impairment loss on trade receivables		**(1,606)**	(2,576)
Write-down of inventories		**–**	1,600
		5,643	1,556
Changes in working capital:			
(Increase)/decrease in inventories		**(137)**	4,401
(Increase)/decrease in trade and other receivables		**(762)**	3,819
Increase/(decrease) in trade and other payables		**363**	(5,614)
Decrease in amount due from a related party		**753**	666
Net cash generated from operating activities		**5,860**	4,828
Investing activities			
Purchase of property, plant and equipment		**(772)**	(436)
Proceeds from disposal of property, plant and equipment		**50**	–
Interest received		**181**	231
Net cash used in investing activities		**(541)**	(205)
Financing activities			
Repayment of interest-bearing borrowings		**(5,000)**	(11,985)
Interest paid		**(741)**	(1,119)
Repayment of advance from a related party		**–**	(50)
Net cash used in financing activities		**(5,741)**	(13,154)
Net decrease in cash and cash equivalents		**(422)**	(8,531)
Cash and cash equivalents at beginning of year		**10,975**	19,506
Cash and cash equivalents at end of year	*21*	**10,553**	10,975

The notes on pages 41 to 84 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2014

1. CORPORATE INFORMATION

a) General

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

The address of its registered office is Zhanwang Village, Yangxunqiao Town, Keqiao District, Shaoxing City, Zhejiang Province, the PRC. The address of its principal place of business in Hong Kong is Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.

b) Principal activity

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

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance which for this financial year and schedule 11 of to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company is set out below.

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

b) Basis of preparation of the financial statements

(i) Going concern

The Company incurred a net loss attributable to the owners of the Company of approximately RMB3,215,000 (2013: RMB8,580,000) during the year ended 31 December 2014. Notwithstanding the above, the financial statements have been prepared on a going concern basis. In preparing these financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Company and the ability of the Company to attain profitable and positive cash flow operations in the immediate and longer term.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Basis of preparation of the financial statements *(Continued)*

(i) Going concern (Continued)

Based on the cash flow projections of the Company and having taken into account the available financial resources of the Company, the directors of the Company have concluded that the Company is able to continue as a going concern and to meet their financial obligations as and when they fall due in the foreseeable future, having regards to the Company had cash and cash equivalents of RMB10,553,000 and net current assets of RMB35,665,000 as at 31 December 2014.

(ii) Basis of measurement

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

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

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 30.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c) Property, plant and equipment

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

Cost includes expenditure that is directly attributable to the acquisition of each item. The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(q)).

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

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

Buildings held for own use	20-30 years or the lease term of the land, if shorter
Machinery and equipment	5-12 years
Office equipment and furniture	2-5 years
Motor vehicles	5 years

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

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

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

d) Intangible assets

Intangible assets with finite useful lives that are acquired by the Company are carried at costs less accumulated amortisation and any accumulated impairment losses (see note 2(f)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Notes to the Financial Statements

For the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

d) Intangible assets *(Continued)*

The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Patents	2-7 years

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

e) Leased assets

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

i) Classification of assets leased to the Company

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

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Company, or taken over from the previous lessee.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) Leased assets *(Continued)*

ii) Operating lease charges

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

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

iii) Leasehold land for own use

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

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

f) Impairment of assets

i) Impairment of trade and other receivables

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

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

Notes to the Financial Statements

For the year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

f) Impairment of assets *(Continued)*

i) *Impairment of trade and other receivables (Continued)*

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

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

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

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

ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– prepaid lease payments; and

– intangible assets.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

f) Impairment of assets *(Continued)*

ii) *Impairment of other assets (Continued)*

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

iii) *Interim financial reporting and impairment*

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

g) Inventories

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

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

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

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

h) Trade and other receivables

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

i) Employee benefits

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

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

j) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

k) Cash and cash equivalents

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

l) Income tax

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) Income tax *(Continued)*

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

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

– in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on the same taxable entity.

m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

n) Provisions and contingent liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

o) Revenue recognition

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

i) Sale of goods

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

ii) Interest income

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

iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Company will comply with the conditions attaching to them. Grants that compensate the Company for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expenses.

p) Translation of foreign currencies

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

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

q) Borrowing costs

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

r) Research and development costs

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

s) Related parties

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

i) has control or joint control over the Company;

ii) has significant influence over the Company; or

iii) is a member of the key management personnel of the Company.

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

i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii) Both entities are joint ventures of the same third party.

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

vi) The entity is controlled or jointly controlled by a person identified in note2(s)(a).

vii) A person identified in note2(s)(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).

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

t) Segment reporting

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

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

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

In the current year, the Company has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

Except as explained below, the adoption of the above new and revised HKFRSs in the current year has no material impact on the Company's financial statements.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. The disclosures about the Company's impaired non-financial assets have been conformed to the amended disclosure requirements.

4. TURNOVER

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

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

5. OTHER REVENUE AND OTHER NET INCOME

	2014	2013
	RMB'000	*RMB'000*
Other revenue		
Bank interest income, being total interest income on financial assets not at fair value through profit or loss	**181**	231
Government grants *(Note)*	**–**	231
Sales of scrap materials	**240**	217
	421	679
Other net income		
Reversal of impairment loss on trade receivables	**1,606**	2,576
Impairment loss on trade receivables	**(1,475)**	(1,605)
Gain on disposal of property, plant and equipment	**48**	–
Insurance claim	**491**	29
Foreign exchange gain, net	**62**	–
	732	1,000

Note: The government grants represented subsidies of social insurance received from the Ministry of Finance of Zhejiang Province, PRC to stabilise the labour market.

6. LOSS FROM OPERATIONS

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

	2014	2013
	RMB'000	*RMB'000*
Cost of inventories recognised as expenses *(see note 18)*	**73,053**	75,341
Staff costs		
– Salaries, wages and other benefits (including directors' and supervisors' emoluments – *note 12*)	**12,631**	11,900
– Contributions to defined contribution retirement plan	**667**	697
	13,298	12,597
Research and development costs	**232**	219
Depreciation of property, plant and equipment	**4,938**	4,980
Amortisation of prepaid lease payments	**139**	139
Auditor's remuneration	**364**	362
Gain on disposal of property, plant and equipment	**(48)**	–
Impairment loss on property, plant and equipment*	**3,400**	3,500
Impairment loss on trade receivables	**1,475**	1,605
Reversal of impairment loss on trade receivables	**(1,606)**	(2,576)
Write-down of inventories	**–**	1,600
Foreign exchange (gain)/loss, net	**(62)**	797

* Included in "other operating expenses" in the statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest expense on entrusted loans which are repayable within five years, being total interest expense on financial liabilities not at fair value through profit or loss	**741**	1,119

8. INCOME TAX

a) No provision for PRC Enterprise Income Tax has been made in the financial statements as the tax losses brought forward from prior years exceed the estimated assessable profits for the year ended 31 December 2014. No provision for PRC Enterprise Income Tax has been made in the financial statements as the Company has no assessable profits for the year ended 31 December 2013.

No Hong Kong Profits Tax has been provided for in the financial statements as the Company did not carry on a trade, profession or business in Hong Kong for the years ended 31 December 2014 and 2013.

b) Reconciliation between tax expense and accounting loss at the applicable tax rate:

	2014 ***RMB'000***	2013 *RMB'000*
Loss before taxation	**(3,215)**	(8,580)
Calculated at the tax rate of 25% (2013: 25%)	**(804)**	(2,145)
Tax effect of non-deductible expenses	**442**	2,479
Tax effect of unused tax losses not recognised	**–**	310
Tax effect of non-taxable income	**–**	(644)
Tax effect of not recognised timing difference	**780**	–
Tax effect of utilization of tax losses previously not recognised	**(418)**	–
Actual tax expense	**–**	–

c) No provision for deferred taxation has been made for the years ended 31 December 2014 and 2013 as the effect arising from temporary differences is not material. In accordance with the accounting policy set out in note 2(l), the Company has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB7,484,000 (2013: RMB9,798,000) due to the unpredictability of and the time that future profit streams are available. Tax losses for each year can be carried forward for five years.

9. DIVIDENDS

The directors of the Company resolved not to declare any dividend in respect of the year ended 31 December 2014 (2013: Nil).

10. LOSS PER SHARE

The basic loss per share was calculated based on the loss attributable to owners of the Company of approximately RMB3,215,000 (2013: RMB8,580,000) and the weighted average number of 76,600,000 shares (2013: 76,600,000 shares) in issue during the year ended 31 December 2014.

Diluted loss per share equals to basic loss per share as there were no potential dilutive ordinary share outstanding during the years ended 31 December 2014 and 2013.

11. RETIREMENT BENEFIT COSTS

The Company was incorporated in the PRC and participates in defined contribution retirement plans managed by the local municipal government in the locations in which it operates. The Company was required to contribute a specific percentage of payroll costs to the defined contribution retirement plans. The Company has no other obligation beyond the annual contributions. Contributions paid and payable are charged as an expense to profit or loss. For the years ended 31 December 2014 and 2013 the total contributions amounted to approximately RMB667,000 and RMB697,000 respectively.

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

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

Year ended 31 December 2014

	Fees *RMB'000*	Salaries, allowances and other benefits *RMB'000*	Contributions to defined contribution retirement plan *RMB'000*	Total *RMB'000*
Executive directors				
Tang Li Min[1]	–	54	–	54
Hong Guo Ding	–	–	–	–
Fei Guo Yang[2]	–	54	8	62
Hong Chun Qiang	–	50	–	50
	–	158	8	166
Non-executive directors				
Tang Cheng Fang	–	–	–	–
Li Zhang Rui	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Wang He Rong	30	–	–	30
Lu Guo Qing	30	–	–	30
Ma Hong Ming	30	–	–	30
	90	–	–	90
Supervisors				
Hong Jin Shui	–	54	7	61
Feng Yun Lin	–	–	–	–
Chen Jin Long	–	–	–	–
	–	54	7	61
Independent supervisors				
Wang Zhong	–	–	–	–
Wang Ye Gang	–	–	–	–
	–	–	–	–
	90	212	15	317

[1] Resigned as chairman and executive director on 2 February 2015.

[2] Appointed as chairman on 2 February 2015.

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(Continued)*

Year ended 31 December 2013

	Fees *RMB'000*	Salaries, allowances and other benefits *RMB'000*	Contributions to defined contribution retirement plan *RMB'000*	Total *RMB'000*
Executive directors				
Tang Li Min *(Chairman)*	–	54	–	54
Hong Guo Ding	–	–	–	–
Fei Guo Yang	–	54	5	59
Hong Chun Qiang	–	50	–	50
	–	158	5	163
Non-executive directors				
Tang Cheng Fang	–	–	–	–
Li Zhang Rui	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Wang He Rong	30	–	–	30
Lu Guo Qing	30	–	–	30
Ma Hong Ming	30	–	–	30
	90	–	–	90
Supervisors				
Hong Jin Shui	–	54	5	59
Feng Yun Lin	–	–	–	–
Chen Jin Long	–	–	–	–
	–	54	5	59
Independent supervisors				
Wang Zhong	–	–	–	–
Wang Ye Gang	–	–	–	–
	–	–	–	–
	90	212	10	312

None of the directors and supervisors waived any emoluments during the years ended 31 December 2014 and 2013.

During the years ended 31 December 2014 and 2013, no emoluments were paid by the Company to the directors or supervisors as an inducement to join or upon joining the Company or as compensations for loss of office.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments in the Company for the years ended 31 December 2014 and 2013 did not include any directors or supervisors of the Company. Details of the emoluments of the directors and supervisors of the Company are disclosed in note 12 to the financial statements. The aggregate of the emoluments of these five (2013: five) individuals were as follows:

	2014	2013
	RMB'000	*RMB'000*
Salaries, allowances and other benefits	**270**	270
Discretionary bonuses	**248**	248
Contributions to defined contribution retirement plan	**–**	5
	518	523

The emoluments of each of the five individuals were below RMB791,000 and RMB781,000 (equivalent to HK$1,000,000) for the years ended 31 December 2014 and 2013 respectively.

During the years ended 31 December 2014 and 2013, no emoluments were paid by the Company to the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office and no bonuses were paid or payable by the Company to the five highest paid individuals based on the performance of the Company.

14. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the board of directors (the "Board"), being the Company's chief operating decision maker, regularly reviews turnover based on domestic and overseas customers on a geographical basis (see note 14(b)). However, the financial information provided to the Board does not contain profit or loss information for each location and the Board reviewed the operating results of the Company on a combined basis. Therefore, the operation of the Company constitutes one single reportable segment, being manufacture and sales of universal joints for automobiles.

a) Segment revenue, results, assets and liabilities

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

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

b) Geographical information

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

14. SEGMENT INFORMATION *(Continued)*

b) Geographical information *(Continued)*

	Revenue from external customers	
	2014	2013
	RMB'000	*RMB'000*
The PRC (place of domicile), excluding Hong Kong	**37,542**	41,144
Europe	**20,559**	24,090
Asia other than the PRC	**14,315**	10,951
Other countries	**9,885**	3,929
	82,301	80,114

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

c) Information about major customers

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

	2014	2013
	RMB'000	*RMB'000*
Customer A*	**–**	13,001
Customer B	**12,284**	10,035
	12,284	23,036

* Not exceed 10% for 2014 (2013: 16.14%).

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15. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use *RMB'000*	Machinery and equipment *RMB'000*	Office equipment and furniture *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Cost					
At 1 January 2013	26,916	46,671	1,180	1,998	76,765
Additions	–	436	–	–	436
At 31 December 2013 and 1 January 2014	26,916	47,107	1,180	1,998	77,201
Additions	–	772	–	–	772
Disposals	–	(25)	–	–	(25)
At 31 December 2014	26,916	47,854	1,180	1,998	77,948
Accumulated depreciation and impairment losses					
At 1 January 2013	8,870	26,002	1,171	782	36,825
Charge for the year	919	3,876	9	176	4,980
Impairment loss recognised	1,745	1,755	–	–	3,500
At 31 December 2013 and 1 January 2014	11,534	31,633	1,180	958	45,305
Charge for the year	919	3,843	–	176	4,938
Write back on disposals	–	(23)	–	–	(23)
Impairment loss recognised	1,830	1,570	–	–	3,400
At 31 December 2014	14,283	37,023	1,180	1,134	53,620
Carrying amount					
At 31 December 2014	12,633	10,831	–	864	24,328
At 31 December 2013	15,382	15,474	–	1,040	31,896

The Company's buildings held for own use are located in the PRC and are held under medium- term leases.

For the year ended 31 December 2014, the Board assessed the recoverable amount of the cash generating unit of the Company, being the universal joints manufacturing operation of the Company, based on value-in-use calculation using income approach (i.e. cash flow discounting). With reference to valuations conducted by an independent professional valuer, the recoverable amount of the CGU is approximately RMB29,500,000 (2013: RMB37,223,000) which is lower than its carrying amount, and resulting that an impairment loss of property, plant and equipment of RMB3,400,000 (2013: RMB3,500,000). The amount is recognised in profit or loss and was included in "other operating expenses" in the statement of profit or loss and other comprehensive income. The cash flow projections used in the value-in-use calculations were based on financial forecast approved by the Board. The pre-tax discount rate applied to the cash flow projections is 14.73% (2013: 15.53%) per annum. The Board was of the opinion that the decrease in the recoverable amount of the property, plant and equipment was mainly attributable to severe and challenging market conditions towards the end of 2014 and 2013.

16. PREPAID LEASE PAYMENTS

	2014	2013
	RMB'000	*RMB'000*
Net carrying amount		
At 1 January	**5,466**	5,605
Amortisation for the year	**(139)**	(139)
At 31 December	**5,327**	5,466
Analysed for reporting purposes as:		
Current assets	**139**	139
Non-current assets	**5,188**	5,327
	5,327	5,466

The Company's prepaid lease payments comprise land use rights in the PRC which are held under medium-term leases.

17. INTANGIBLE ASSETS

	Patents	
	2014	2013
	RMB'000	*RMB'000*
Cost		
At 1 January	**15,819**	35,000
Write off	**(15,819)**	(19,181)
At 31 December	**–**	15,819
Accumulated amortisation and impairment losses		
At 1 January	**15,819**	35,000
Write off	**(15,819)**	(19,181)
At 31 December	**–**	15,819
Carrying amount		
At 31 December	**–**	–

It represents patents previously acquired by the Company and registered in the PRC. Due to continuous economic down turn in European market which affected the business plan of the patented products, the management decided to discontinue the plan and write off their cost upon the expiry of the patent periods.

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18. INVENTORIES

	2014	2013
	RMB'000	*RMB'000*
Raw materials	**5,256**	5,499
Work-in-progress	**9,100**	10,194
Finished goods	**7,261**	5,787
	21,617	21,480

The analysis of the amount of inventories recognised as an expense is as follows:

	2014	2013
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**73,053**	73,741
Write-down of inventories	**–**	1,600
	73,053	75,341

19. TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**33,719**	34,679
Bills receivables	**965**	1,840
	34,684	36,519
Less: allowance for doubtful debts	**(6,867)**	(6,998)
	27,817	29,521
Other receivables	**386**	290
Loans and receivables	**28,203**	29,811
Prepayments to suppliers	**4,353**	2,461
Deposits and other payments	**635**	500
Value added tax recoverable	**514**	40
	33,705	32,812

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

a) The ageing analysis of trade and bills receivables presented based on the date of goods delivered is as follows:

	2014	2013
	RMB'000	*RMB'000*
Within 30 days	**8,244**	8,439
31-60 days	**4,552**	7,321
61-90 days	**3,358**	2,998
91-120 days	**4,701**	3,792
121-180 days	**5,498**	3,478
181-365 days	**1,158**	3,010
Over 365 days	**7,173**	7,481
	34,684	36,519
Less: allowance for doubtful debts	**(6,867)**	(6,998)
	27,817	29,521

The normal credit period granted to the customers of the Company is 30 to 120 days (2013: 30 to 120 days). Further details on the Company's credit policy are set out in note 29(b)(i).

19. TRADE AND OTHER RECEIVABLES *(Continued)*

b) Allowance for doubtful debts

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

Movements of allowance for doubtful debts is as follows:

	2014 RMB'000	2013 RMB'000
At 1 January	**6,998**	7,969
Allowance for doubtful debts recognised during the year *(Note)*	**1,475**	1,605
Reversal of allowance for doubtful debts	**(1,606)**	(2,576)
At 31 December	**6,867**	6,998

Note: As at 31 December 2014, trade receivables of the Company amounting to approximately RMB6,867,000 (2013: RMB6,998,000) were individually determined to be impaired. These individually impaired receivables were long outstanding as at the end of the reporting period without subsequent repayment record or were due from companies with financial difficulties. Accordingly, specific allowances for doubtful debts of approximately RMB1,475,000 (2013: RMB1,605,000) were recognised. The Company does not hold any collateral over these balances.

c) Trade and bills receivables that are not impaired

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

	2014 *RMB'000*	2013 *RMB'000*
Neither past due nor impaired	**20,855**	22,550
Less than 2 months past due	**4,895**	3,381
2 months to 1 year past due	**993**	2,320
Over 1 year past due	**1,074**	1,270
	6,962	6,971
	27,817	29,521

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

19. TRADE AND OTHER RECEIVABLES *(Continued)*

c) Trade and bills receivables that are not impaired *(Continued)*

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

d) Transfer of financial assets

As at 31 December 2014, the Company endorsed certain bills receivable accepted by banks (the “Banks”) in the PRC (the “Derecognised Bills ”), to certain of its suppliers in order to settle the trade payables due to these suppliers with a total carrying amount in aggregate of RMB8,428,000 (2013: RMB6,860,000). The Derecognised Bills will mature in one to six months after the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Company if the Banks default (the “Continuing Involvement”). In the opinion of the directors, the Company has transferred substantially all risks and rewards relating to the Derecognised Bills, accordingly, it derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss arising from the Company’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Company’s Continuing Involvement in the Derecognised Bills are not significant since the likelihood that the Banks with default in remote.

During the year, the Company has not recognised any gain or loss on the date of transfer of the Discounted Bills (2013: Nil). No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

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20. AMOUNT DUE FROM A RELATED PARTY

Particulars of the amount due from a related party are as follows:

	2014 **RMB'000**	2013 RMB'000	**Maximum amount outstanding during the year** RMB'000
浙江展望新合纖有限公司	**–**	753	753

The amount was unsecured, interest-free and repayable on demand. For further details, please refer to note 27(b) to the financial statements.

21. CASH AND CASH EQUIVALENTS

	2014 **RMB'000**	2013 RMB'000
Cash and cash equivalents in the statement of financial position and the statement of cash flows	**10,553**	10,975

At 31 December 2014, the cash and cash equivalents of the Company denominated in Renminbi ("RMB") amounted to RMB9,139,000 (2013: RMB9,469,000). The RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks with authorised foreign exchange business.

The Company's cash and cash equivalents held in bank accounts carried interest rates from 0.35% to 0.42% (2013: 0.35% to 0.39%) per annum as at 31 December 2014.

22. TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**9,996**	9,307
Other payables and accruals	**8,482**	8,991
Financial liabilities measured at amortised cost	**18,478**	18,298
Trade deposits received from customers	**697**	567
Other taxes payable	**1,174**	1,121
	20,349	19,986

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

The following is an ageing analysis of trade payables presented based on the date of goods received as at the end of each reporting period:

	2014	2013
	RMB'000	*RMB'000*
Within 90 days	**7,855**	8,134
91 – 180 days	**1,567**	783
181 – 365 days	**88**	130
Over 365 days	**486**	260
	9,996	9,307

23. INTEREST-BEARING BORROWINGS

The analysis of the carrying amount of interest-bearing borrowings is as follows:

	2014	2013
	RMB'000	*RMB'000*
Entrusted loan	**10,000**	15,000

23. INTEREST-BEARING BORROWINGS *(Continued)*

The Company borrowed an entrusted loan of RMB15,000,000 from a PRC Government related organisation through a bank in the PRC. The loan was originally due for repayment on 28 July 2011. The Company negotiated with the lender and the loan was subsequently extended to 29 December 2013.

On 26 December 2013, the lender agreed with the Company to further modify the repayment schedule that RMB5,000,000 and RMB10,000,000 should be repaid before 31 December 2014 and 31 December 2015 respectively. On 19 December 2014, the Company repaid the first installment of RMB5,000,000 to the lender.

The entrusted loan contains a repayable on demand clause and has been classified under current liabilities as at 31 December 2014 and 2013. The entrusted loan is guaranteed by a related party, the details of which are set out in note 27(c) to the financial statements.

As at 31 December 2014, the effective interest rate of the entrusted loan (which also equals to contractual interest rates) was 7.47% (2013: 7.47%) per annum.

24. SHARE CAPITAL

	Number of shares	*RMB'000*
Registered, issued and fully paid:		
Domestic shares of RMB1 each *(Note)*	53,600,000	53,600
H Shares of RMB1 each	23,000,000	23,000
At 1 January 2013, 31 December 2013 and 2014	76,600,000	76,600

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

25. RESERVES

	Share premium *RMB'000*	Statutory surplus reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2013	246	5,709	(5,579)	376
Changes for 2013:				
Loss for the year	–	–	(8,580)	(8,580)
Other comprehensive income	–	–	–	–
Total comprehensive loss for the year	–	–	(8,580)	(8,580)
At 31 December 2013 and 1 January 2014	246	5,709	(14,159)	(8,204)
Changes for 2014:				
Loss for the year	**–**	**–**	**(3,215)**	**(3,215)**
Other comprehensive income	**–**	**–**	**–**	**–**
Total comprehensive loss for the year	**–**	**–**	**(3,215)**	**(3,215)**
At 31 December 2014	**246**	**5,709**	**(17,374)**	**(11,419)**

a) Share premium

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

b) Statutory surplus reserve

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

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

25. RESERVES *(Continued)*

c) Distributable reserves

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

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

i) making up cumulative prior years' losses, if any;

ii) allocation of 10% of profit after tax, as determined in accordance with the PRC relevant rules and regulations, to the Company's statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the Company's registered capital, any further appropriation is optional; and

iii) allocation to the discretionary surplus reserve, if approved by the shareholders.

As at 31 December 2014 and 2013, the Company did not have any distributable reserves.

26. CAPITAL COMMITMENTS

The Company's contracted capital commitments outstanding as at 31 December 2014 and 2013 not provided for in the financial statements are as follows:

	2014	2013
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**500**	670

27. RELATED PARTY TRANSACTIONS

During the year, the Company had the following significant transactions with related parties:

a) Key management personnel remuneration

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

	2014	2013
	RMB'000	*RMB'000*
Salaries and other short-term benefits	**302**	302
Contributions to defined contribution retirement plan	**15**	10
	317	312

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

b) Financing arrangement

	Note	**2014**	2013
		RMB'000	*RMB'000*
Amount due from a related party	*(i)*	**–**	753

Notes:

i) The amount represents advance to 浙江展望新合纖有限公司 ("新合纖"), a subsidiary of 浙江展望控股集團有限公司 ("浙江展望控股"), a company which Mr. Tang Li Min, an executive director during the years ended 31 December 2014 and 2013, and controlling shareholder of the Company, hold 70.48% equity interests. The amount is unsecured, interest free and repaid in fully during the year ended 31 December 2014.

27. RELATED PARTY TRANSACTIONS *(Continued)*

c) Other related party transactions

i) As at 31 December 2014 and 2013, 浙江嘉利蛋白纖維有限公司 ("浙江嘉利") has given guarantees in respect of the interest-bearing borrowings of the Company amounting to RMB10,000,000 and RMB15,000,000 respectively. 浙江嘉利 is a company established in the PRC, in which 浙江展望控股 holds 47% equity interest.

ii) During the years ended 31 December 2014 and 2013, the Company paid the electricity fees to 新合纖 amounted to approximately RMB7,072,000 (net of value added tax of approximately RMB1,202,000) and RMB6,446,000 (net of value added tax of approximately RMB1,096,000) respectively. Electricity fees paid to 新合纖 were charged in the normal course of business as the Company shared the electricity expenses with 新合纖. The electricity fees were calculated based on actual electricity consumed by the Company at the rate charged by the power company. The aggregate annual value of the continuing connected transactions has not exceeded the maximum annual value of RMB7,500,000 and RMB7,800,000 for the years ended 31 December 2014 and 2013 respectively as disclosed in the announcements dated 13 November 2013 and 12 November 2012 made by the Company in respect of the continuing connected transaction.

28. ULTIMATE CONTROLLING PARTY

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

29. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

	2014	2013
Financial assets	***RMB'000***	*RMB'000*
Trade and other receivables	**28,203**	29,811
Amount due from a related party	**–**	753
Cash and cash equivalents	**10,553**	10,975
Loans and receivables (including cash and cash equivalents)	**38,756**	41,539
Financial liabilities		
Trade and other payables	**20,349**	19,986
Interest-bearing borrowings	**10,000**	15,000
Financial liabilities at amortized cost	**30,349**	34,986

29. FINANCIAL INSTRUMENTS *(Continued)*

b) Financial risk management objectives and policies

The Company's major financial instruments include trade and other receivables, amount due from a related party, cash and cash equivalents, trade and other payables and interest- bearing borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and currency risk. The policies on how to mitigate these risk are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

i) Credit risk

1) Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of merely dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults.

2) As at 31 December 2014 and 2013, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

3) In respect of trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition are performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Company has not obtained any collateral in respect of its financial assets. Debts are usually due within 30 to 120 days from the date of billing.

4) In respect of trade and other receivables, the Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Company has a concentration of credit risk as 15% (2013: 17%) and 17% (2013: 38%) of the total trade and other receivables was due from the Company's largest customer and the five largest customers respectively.

5) The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

   Further quantitative disclosures in respect of the Company's exposure to credit risk arising from trade and other receivables are set out in note 19.

29. FINANCIAL INSTRUMENTS *(Continued)*

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

ii) Liquidity risk

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

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

As at 31 December 2014

	Within 1 year or on demand *RMB'000*	**Total contractual undiscounted cash flows** *RMB'000*	**Carrying amount** *RMB'000*
Interest-bearing borrowings	**10,747**	**10,747**	**10,000**
Trade and other payables	**18,478**	**18,478**	**18,478**
	29,225	**29,225**	**28,478**

As at 31 December 2013

	Within 1 year or on demand *RMB'000*	Total contractual undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
Interest-bearing borrowings	16,868	16,868	15,000
Trade and other payables	18,298	18,298	18,298
	35,166	35,166	33,298

29. FINANCIAL INSTRUMENTS *(Continued)*

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

ii) Liquidity risk (Continued)

Interest-bearing borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. As at 31 December 2014 and 31 December 2013, the aggregate undiscounted principal amounts of these interest-bearing borrowings amounted to RMB10,000,000 and RMB15,000,000 respectively. Taking into account the Company's financial position, the directors of the Company do not believe that it is probable that the lender will exercise its discretionary rights to demand immediate repayment. The directors of the Company believe that such interest-bearing borrowings will be repaid in accordance with the scheduled repayment dates agreed by the lender. As at 31 December 2014, the interest-bearing borrowings of RMB10,000,000 shall be repaid before 31 December 2015 (2013: the interest-bearing borrowings of RMB5,000,000 and RMB10,000,000 shall be repaid before 31 December 2014 and 31 December 2015 respectively).

The following table summarises the maturity analysis of interest-bearing borrowings with a repayment on demand clause based on agreed scheduled repayments.

Maturity Analysis – Interest-bearing borrowings subject to a repayment on demand clause based on scheduled repayments

	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	Total undiscounted cash flows *RMB'000*
31 December 2014	**10,747**	**–**	**10,747**
31 December 2013	6,121	10,747	16,868

29. FINANCIAL INSTRUMENTS *(Continued)*

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

iii) Interest rate risk

The Company's fair value interest rate risk arises primarily from interest-bearing borrowings carried at fixed rate. The Company currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposures should the need arises.

1) Interest rate profile

The following table details the interest rate profile of the Company's borrowings at the end of each reporting period:

	2014		2013	
	Effective interest rate		Effective interest rate	
	%	***RMB'000***	%	*RMB'000*
Fixed rate borrowings:				
Entrusted loans	**7.47%**	**10,000**	7.47%	15,000

2) Sensitivity analysis

The increase or decrease in interest rate has no impact on the Company's loss after taxation and accumulated losses as the interest on the interest-bearing borrowings is at fixed rate. The fair value interest rate risk in relation to the financial liabilities at fair value through profit or loss is immaterial.

iv) Currency risk

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

1) Exposure to currency risk

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

29. FINANCIAL INSTRUMENTS *(Continued)*

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

iv) Currency risk (Continued)

2) Sensitivity analysis

	Exposure to foreign currencies (expressed in RMB)	
	2014	2013
	RMB'000	*RMB'000*
Trade and other receivables – USD	**9,936**	9,724
Cash and cash equivalents – USD	**1,414**	1,506
Overall exposure to currency risk	**11,350**	11,230

At 31 December 2014, if USD had strengthened by 3% against RMB, loss for the year would have been decreased by RMB341,000 (2013: loss for the year would have been decreased by RMB337,000) and accumulated losses as at 31 December 2014 would have been decreased by RMB341,000 (2013: accumulated loss for the year would have been decreased by RMB337,000). If USD had weakened by 3% against RMB, loss for the year would have been increased by RMB341,000 (2013: loss for the year would have been increased by RMB337,000) and accumulated losses as at 31 December 2014 would have been increased by RMB341,000 (2013: accumulated loss for the year would have been increased by RMB337,000).

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

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next annual reporting period. Results of the analysis as presented in the above table represent the exposure to currency risk on the Company's profit after tax and total comprehensive loss measured in the respective currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2013.

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

29. FINANCIAL INSTRUMENTS *(Continued)*

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

v) *Capital management*

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

The Company monitors capital on the basis of the net debt to equity ratio, which is calculated as net debt divided by total equity. Net debt is calculated as interest-bearing borrowings less cash and cash equivalents. The net debt to equity ratio as at 31 December 2014 and 2013 are as follows:

	2014 ***RMB'000***	2013 *RMB'000*
Interest-bearing borrowings	**10,000**	15,000
Less: cash and cash equivalents	**(10,553)**	(10,975)
Net debt	**(553)**	4,025
Total equity	**65,181**	68,396
Net debt to equity ratio	**N/A**	5.9%

vi) *Fair value measurements*

The fair values of cash and cash equivalents, trade and other receivables, amounts due from a related party, and trade and other payables are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

vii) *Estimation of fair values*

The fair values of interest-bearing borrowings are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

30. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a) Critical accounting estimates and assumptions

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

(i) Depreciation of property, plant and equipment

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

As at 31 December 2014, the carrying amount of property, plant and equipment is approximately RMB24,328,000 (2013: RMB31,896,000).

(ii) Impairment of property, plant and equipment and prepaid lease payments

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

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

As at 31 December 2014, the carrying amount of property, plant and equipment and prepaid lease payments is approximately RMB24,328,000 and RMB5,327,000 respectively (2013: RMB31,896,000 and RMB5,466,000).

(iii) Write-down for obsolescence of inventories

The Company determines the amount of inventories to be written down based on the market conditions and the historical experience on selling goods of similar nature. It could change significantly as a result of changes in market conditions. As at 31 December 2014, the carrying amount of inventories is approximately RMB21,617,000 (2013: RMB21,480,000).

30. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

(iv) Impairment of trade receivables

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

As at 31 December 2014, the carrying amount of trade receivables (net of allowance for doubtful debts) is approximately RMB26,852,000 (2013: RMB27,681,000).

(v) Income taxes and deferred taxation

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet utilised and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. The Company has not recognised deferred tax assets in respect of estimated tax losses carried forward as disclosed in note 8(c) due to the unpredictability of and the time that future profit streams are available.

(vi) Impairment of intangible assets

The Company determines whether an asset is impaired and this requires an estimation of the value in use of the cash-generating units to which the asset is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment previously made. As at 31 December 2014 and 2013,the carrying amount of intangible assets was zero.

30. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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

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

Going concern

As mentioned in note 2(b)(i), the directors of the Company are satisfied that the Company will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors of the Company are confident that the Company will be able to continue in operational existence in the foreseeable future, the financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustment would have to be made to restate the values of assets to their immediate recoverable amounts and to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. Such adjustments may have a significant consequential effect on the loss for the year and net assets of the Company.

Amortisation of prepaid lease payments

The prepaid lease payments of the Company represents the costs for the acquisition of the Company's land use rights in the PRC, and are amortised based on the relevant remaining lease terms. Under relevant law and regulations, the PRC Government has the right to resume the land use right prior to the expiry of lease terms under certain circumstances, including for the purpose of implementation of urban renewal schemes. If the Government exercises its resumption right, compensation should be made to the Company. The relevant law and regulations do not specify the mode and the amount of compensation.

The directors are of the view that the PRC government will not exercise the resumption right, and therefore amortise the prepaid lease payments over the remaining lease terms.

31. POSSIBLE IMPACT OF NEW AND REVISED STANDARDS, AMENDMENTS OR INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issuance of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company.

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

The Company is in the process of making an assessment of what the impact of these new standards, amendments and interpretations is expected to be in the period of initial application but is not yet in a position to state whether these new standards, amendments and interpretations would have a significant impact on the financial statements.

In addition, the requirements of Part 9, "Accounts and Audit, of the new Hong Kong Companies Ordinance (Cap.622) come into operation from the company's first financial year commencing after 3 March 2014 (i.e. the company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Company is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the financial statements in the period of initial application of Part 9. So far it has concluded that the impact is likely to be significant and will primarily only affect the presentation and disclosure of information in the financial statements.

Five Year Financial Summary

RESULTS

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**82,301**	80,114	100,219	114,757	106,832
Loss for the year	**(3,215)**	(8,580)	(7,464)	(9,506)	(11,759)

ASSETS AND LIABILITIES

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**95,530**	103,382	129,611	140,310	177,101
Total liabilities	**(30,349)**	(34,986)	(52,635)	(55,870)	(83,155)
Total equity	**65,181**	68,396	76,976	84,440	93,946

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2014 Annual General Meeting (the "AGM") of Zhejiang Prospect Company Limited (the "Company") will be held at the conference room of the Company, Zhanwang Village, Yangxunqiao Town, Keqiao District, Shaoxing City, Zhejiang Province, the PRC on Thursday, 21st May 2015 at 2:00 p.m. for the following purposes:

1. To consider and approve the report of the board of directors of the Company for the year ended 31 December 2014.

2. To consider and approve the audited financial statements and the report of the auditors of the Company for the year ended 31 December 2014.

3. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2014.

4. To consider and approve the remuneration proposals for the directors and supervisors of the Company for the financial year ended 31 December 2015.

5. To consider and approve the re-appointment of Crowe Horwath (HK) CPA Limited as the Company's auditors and to authorize the board of directors of the Company to fix their remuneration.

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

Zhejiang Province, the People's Republic of China
23 March 2015

Notes:

1. Any shareholder of the Company entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote on his behalf at the AGM in accordance with the article of association of the Company. A proxy needs not be a shareholder of the Company.

2. In order to be valid, the proxy form, under which it is signed, must be deposited by hand or post, for holders of H shares of the Company at the H shares registrar of the Company at Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and, for holders of domestic shares of the Company, to the legal address of the Company (Zhanwang Village, Yangxunqiao Town, Keqiao District, Shaoxing City, Zhejiang Province, the People's Republic of China) not less than 24 hours before the time for holding the AGM or not less than 24 hours before the time appointed for taking the poll. If the proxy form is signed by a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time.

3. Shareholders of the Company or their proxies shall produce their identity documents when attending the AGM.

4. The H Share register of members of the Company will be closed from Monday, 20 April 2015 to Thursday, 21 May 2015 (both dates inclusive), during which no transfer of H shares will be registered. In order to qualify for attending the AGM, unregistered holders of H shares of the Company should ensure that all transfers of H shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the H shares registrar of the Company at Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 17 April 2015.

5. Holders of domestic shares and H shares whose names stand on the register of members of the Company at the close of business on Friday, 17 April 2015 are entitled to attend and vote at the AGM.

6. Shareholders of the Company who intend to attend the AGM should complete and lodge the reply slip at the Company's legal address (Zhanwang Village, Yangxunqiao Town, Keqiao District, Shaoxing City, Zhejiang Province, the People's Republic of China) on or before Thursday, 30 April 2015. The reply slip can be delivered in person or by mail.

7. The AGM is expected not to last for more than half a day. Attendants shall bear their own traveling and accommodation expenses.

* *For identification purpose only*