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

(incorporated in the Cayman Islands with limited liability)

Stock code: 6830

2014

ANNUAL REPORT

华众企业

COMPANY PROFILE

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

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

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

The Group’s network of production bases at strategic locations also contributes to such stable customer relationships. Headquartered in Ningbo, the Group has in total 16 factories, amongst which 15 factories operating in different regions in China to cover major automakers in China. As at December 2014, the Group, together with its joint ventures, had manufacturing facilities in Ningbo, Changchun, Shanghai, Chongqing, Yantai, Foshan, Wuhu, Guangzhou, Chengdu and Xinxiang. In addition, in 2012, a moulding factory was established through acquisition in Germany with a view to assist the Group in enhancing and upgrading its production techniques and upgrade manufacturing equipment, while expanding to the overseas market.

In 2015, the Group plans to expand business and coverage by constructing, expanding and upgrading production facility in Hangzhou Bay and Chongqing.

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Director(s)") of the Company and all of our staff, I hereby present to the shareholders of the Company (the "Shareholder(s)") the annual results of the Group for the year ended 31 December 2014 (the"Year").

In 2014, the passenger vehicle market in the PRC recorded a stable growth. According to the statistics of China Association of Automobile Manufacturers, the number of passenger vehicles manufactured and sold in 2014 were 23,722,900 and 23,491,900 respectively, representing increases of 7.3% and 6.9% respectively over the previous year. In 2014, the sales volume of the top 10 automobile manufacturers reached approximately 21.1 million units, accounting for 89.7% (2013: 88.4%) of the overall vehicle sales in China, representing a growth of 1.3 percentage points. As a tier-one supplier with scalable production capacity and strong R&D capability, Huazhong has established long-term business relationships with these leading players in the market and thus, was among the first to be benefited from the industry growth.

The solid partnership provided a strong foothold for us to capture the growth of the automobile industry. During the Year, the Group's overall operation witnessed continuous and stable growth. For the year ended 31 December 2014, overall revenue increased by 14.4% year-on-year to RMB1,683,204,000. Profit attributable to owners of the parents reached RMB86,583,000, representing a remarkable increase of 81.9% from approximately RMB47,620,000 in 2013. The Board does not recommended a dividend.

In 2014, the numbers of car ownership in China increased by approximately 17.1 million units, reaching 154 million units by the end of the year. According to the statistic from the Ministry of Public Security of the PRC, there are 25 cars in every 100 families. Such big fleet of vehicles has boosted the demand for after sale and regular check-ups services In order to capture the opportunity, we continue to implement our capacity expansion strategy. In 2015, our new production facility in Hangzhou Bay will commence production. This will be an additional capacity to serve the major automobile manufacturers in the Eastern China region. On top of that, we are planning to upgrade the production capacity of the Chongqing plant to cope with the increasing demand from customers in the Western China region.

According to the estimation from the China Automobile China Association of Automobile Manufacturers (CAAM), China's automobile industry will remain its stable growing momentum with sales reaching 25.1 million units in 2015, representing a growth of 7% from that of 2014. We will continue to strengthen our business relationships with leading automobile manufacturers in the industry to pursuit greater growth. At the same time, we will also explore the market of Internet of Vehicles as a long-term growth driver.

Finally, on behalf of Huazhong Holdings, I would like to extend my heartfelt gratitude to all of our customers and business partners for their support, to the Group's management and staff for their unremitting contribution. In the following year, I look forward to working together with all my colleagues to achieve greater success!

Zhou Minfeng
Chairman

Hong Kong, 25 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

Continuing the trend from 2013, the automobile industry has recorded another year of stable growth in 2014. According to the statistics from China Association of Automobile Manufacturers (CAAM), over 23.7 million vehicles were manufactured and over 23.5 million vehicles were sold in 2014, representing a growth of 7.3% and 6.9%, respectively, from the previous year. In terms of sales and manufacturing volumes, China has ranked number one in the world for six consecutive years.

On top of the consistently growing market, the automobile industry has continued its consolidation process. China has more than 200 car manufacturers and many of which produce less than 10,000 vehicles per year. This has demonstrated that automobile manufacturing is a highly concentrated market. The level of consolidation continues to rise in recent years. In 2014, the sales volume of the top 10 automobile manufacturers reached approximately 21.1 million units, accounting for 89.7% (2013: 88.4%) of the overall vehicle sales in China, representing a growth of 1.3 percentage points. As a tier-one supplier with scalable production capacity and strong R&D capability, the Group has established long-term business relationships with these leading players in the market. Out of the top 10 automobile manufacturers, the Group has established business relationships with 6 of them, namely SAIC Motor, FAW Volkswagen, Chang'an Automobile, BAIC Motor, GAC Group and Chery. The solid partnership with industry leaders has provided a strong foothold for the Group to capture the growth of the automobile industry.

Business Review

In 2014, the Group was faced with continuously increasing production costs. As such, the Group rigorously enforced the implementation of cost controls, improved staff quality and strengthened administrative efficiency internally. Externally, the Group strived to fortify the long-term cooperation with customers, develop new market opportunities, maintain sound business operation capability, consolidate the Group's resources and improve market competitiveness. These actions successfully helped the Group in achieving the annual targets, and laid the foundation for its sustainable operation in the future.

For the Year, the Group's revenue was approximately RMB1.683 billion, representing a healthy increase of approximately 14.4% as compared to approximately RMB1.471 billion in 2013. Profit attributable to the owners of the parent for the Year was approximately RMB86.6 million, representing a significant increase of approximately 81.9% as compared to approximately RMB47.6 million in 2013.

The new manufacturing facility in Chongqing and Hangzhou Bay is under construction and is expected to be completed and commences production in the year 2015.

Other than the aforementioned, there was no material acquisition/disposal and investments during the Year.

Operations Analysis

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

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

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

(ii) Moulds and tooling;

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

(iv) Non-automobile products; and

(v) Sale of raw materials.

Except for the casings and liquid tanks of air conditioners and heaters and non-automobile products, revenue derived from products of the rest recorded a strong growth during the Year.

	2014		2013	
	Revenue RMB'000	**Gross profit Margin %**	Revenue RMB'000	Gross profit Margin %
Automotive interior and exterior structural and decorative parts	**1,210,426**	**27.4**	1,054,671	26.8
Moulds and tooling	**106,059**	**7.1**	75,133	12.3
Casings and liquid tanks of air conditioners and heaters	**202,702**	**18.9**	189,946	17.9
Non-automobile products	**62,095**	**35.2**	56,902	32.8
Sale of raw materials	**101,922**	**5.0**	94,241	3.5
Total	**1,683,204**	**24.0**	1,470,893	23.6

For the Year, the total revenue generated from automotive interior and exterior accessories was RMB1,210,426,000 (2013: RMB1,054,671,000), accounting for 71.9% of the Group's total revenue for the Year (2013: 71.7%). The increase was primarily because of commenced production of new manufacturing facility, booming automotive sales market and new car models launched. Gross profit margin increased from 26.8% for the year 2013 to 27.4% for the Year. Such increase was caused by better capacity utilization and vigorous implementation of stringent cost control.

For the Year, revenue from moulds and tooling was RMB106,059,000 (2013: RMB75,133,000), accounting for 6.3% of the Group's total revenue for the Year (2013: 5.1%). Gross profit margin decreased from 12.3% in 2013 to 7.1% in the Year, mainly because of infavorable product mix shift.

For the Year, revenue from casings and liquid tanks of air conditioners and heaters was RMB202,702,000 (2013: RMB189,946,000), accounting for 12.0% of the Group's total revenue for the Year (2013: 12.9%). Gross profit margin increased from 17.9% in 2013 to 18.9% in the Year mainly due to better capacity utilization and vigorous implementation of stringent cost control.

For the Year, revenue from non-automobile products was RMB62,095,000 (2013: RMB56,902,000), accounting for 3.7% of the Group's total revenue for the Year (2013: 3.9%). Gross profit margin increased from 32.8% in 2013 to 35.2% in the Year, mainly attributable to continuous improvement on technology and product.

For the Year, revenue from sale of raw materials was RMB101,922,000 (2013: RMB94,241,000), accounting for 6.1% of the Group's total revenue for the Year (2013: 6.4%). Gross profit margin increased slightly from 3.5% in 2013 to 5.0% in the Year.

Other Income and Gains

Other income and gains of the Group for the Year amounted to RMB12,485,000, representing a decrease of approximately 25.9% as compared to 2013. Such decrease was mainly attributable to that the Group ceased to charge management fee on Changchun Huaxiang Faurecia since the second half of 2013.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the Year amounted to approximately RMB93,873,000, representing a decrease of approximately 5.3% as compared to 2013. The decrease was caused by the decrease of logistics expenses. The proportion of selling and distribution expenses in sales revenue decreased by approximately 1.1% from approximately 6.7% in 2013 to approximately 5.6% in the Year.

Administrative Expenses

The Group's administrative expenses for the Year amounted to approximately RMB159,755,000, representing an increase of approximately 12.1% as compared to RMB142,562,000 in 2013. The increase was mainly attributable to an annual increase in employee salaries and increase in research and development expenses.

Share of Profits and Losses of Joint Ventures

During the Year, the Group recorded RMB1,703,000 of the share of losses of joint ventures as compared to the share of profits of RMB7,434,000 for 2013. This was primarily because Changchun Huaxiang Faurecia Automotive Plastic Components Co., Ltd. recorded net loss in the Year.

Finance Income

The Group's finance income increased by approximately 8.8% from approximately RMB7,037,000 in 2013 to approximately RMB7,659,000 in the Year. The increase in finance income was mainly attributable to the increase of time deposit balance.

Finance Costs

The Group's finance costs decreased from approximately RMB48,238,000 in 2013 to approximately RMB44,683,000 in the Year, representing a decrease of approximately 7.4%, which was attributable to less interest expenses incurred for discounted bills.

Taxes

The Group's tax expenses decreased by approximately 7.3% from approximately RMB30,758,000 in 2013 to approximately RMB28,526,000 in the Year. The decrease was attributable to the lower tax rate for specific provincial or local tax authority enjoyed by the Group's certain subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financial Resources

For the Year, the net cash generated from operating activities was approximately RMB125,543,000 (2013: net cash generated from operating activities RMB195,840,000). The cash generated from operating activities was mainly due to the profits during the Year.

The net cash used in investing activities was approximately RMB124,462,000 (2013: net cash used in investing activities was approximately RMB152,702,000). The net cash used in financing activities was approximately RMB44,570,000 (2013: net cash generated from financing activities RMB3,361,000). The net cash used in investing activities was mainly due to purchase of property, plant and equipment. The net cash used in financing activities mainly came from the interest paid.

As a result of the above-mentioned comprehensive factors, the net cash outflow of the Group was RMB43,489,000 (2013: net cash inflow RMB46,499,000).

As at 31 December 2014, the cash and cash equivalents of the Group (including cash and bank deposits) was approximately RMB197,525,000 (31 December 2013: RMB240,659,000).

As at 31 December 2014, the interest-bearing bank borrowings of the Group was approximately RMB673,431,000 (31 December 2013: approximately RMB636,759,000) of which approximately RMB33,547,000 (equivalent to EUR4,500,000) was borrowed in EURO and approximately RMB556,431,000 were due within one year. Effective interest rate ranges from 4.5% to 6.9%. Amongst the bank borrowings, RMB51,000,000 were borrowed at floating interest rate, representing 7.6% of total borrowings (92.4% of total borrowings at fixed interest rate).

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

Capital Commitments

As at 31 December 2014, the Group had capital commitments amounting to RMB511,631,000 (31 December 2013: RMB559,177,000) mainly including commitment for purchasing property, plant, and equipment.

Foreign Exchange Exposure

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

Contingent Liabilities

The Group issued a guarantee of RMB4,991,000 for bank facilities of a joint venture of the Group as at 31 December 2014 (2013: RMB8,154,000).

Pledge of Assets

As at 31 December 2014, the Group's assets of approximately RMB180,395,000 (2013: approximately RMB78,516,000) were pledged to secure some of the Group's interest-bearing bank borrowings. The book value of the pledged assets is set out below:

	2014 RMB'000	2013 RMB'000
Property, plant and equipment	**71,078**	14,908
Investment properties	**3,131**	3,380
Prepaid land lease payments	**75,586**	31,649
Trade receivables	**—**	20,000
Pledged deposits	**30,600**	8,579
Total	**180,395**	78,516

As at 31 December 2014, pledged deposits with book value of approximately RMB83,646,000 (2013: approximately RMB119,975,000) were used as security to provide guarantee for the issue of notes payable.

Gearing Ratio

As at 31 December 2014, the Group's gearing ratio was approximately 70.3%, which was close to the gearing ratio of approximately 69.5% as at 31 December 2013. The gearing ratio is derived by dividing net liabilities (including interest-bearing bank borrowings, trade and notes payables, other payables and accruals, and payables to related parties and the ultimate controlling shareholder less cash and cash equivalents) by total capital (including equity attributable to owners of the parent company) plus net liabilities at the end of the respective years.

Employees and Remuneration Policies

The Group had a total of 2,644 employees as at 31 December 2014. Total staff costs of the Group (excluding directors' and chief executive's remuneration) for the Year was approximately RMB170,921,000 (2013: approximately RMB157,703,000). The increase was attributable to the increase in the number of employees of the Group in the Year. The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees.

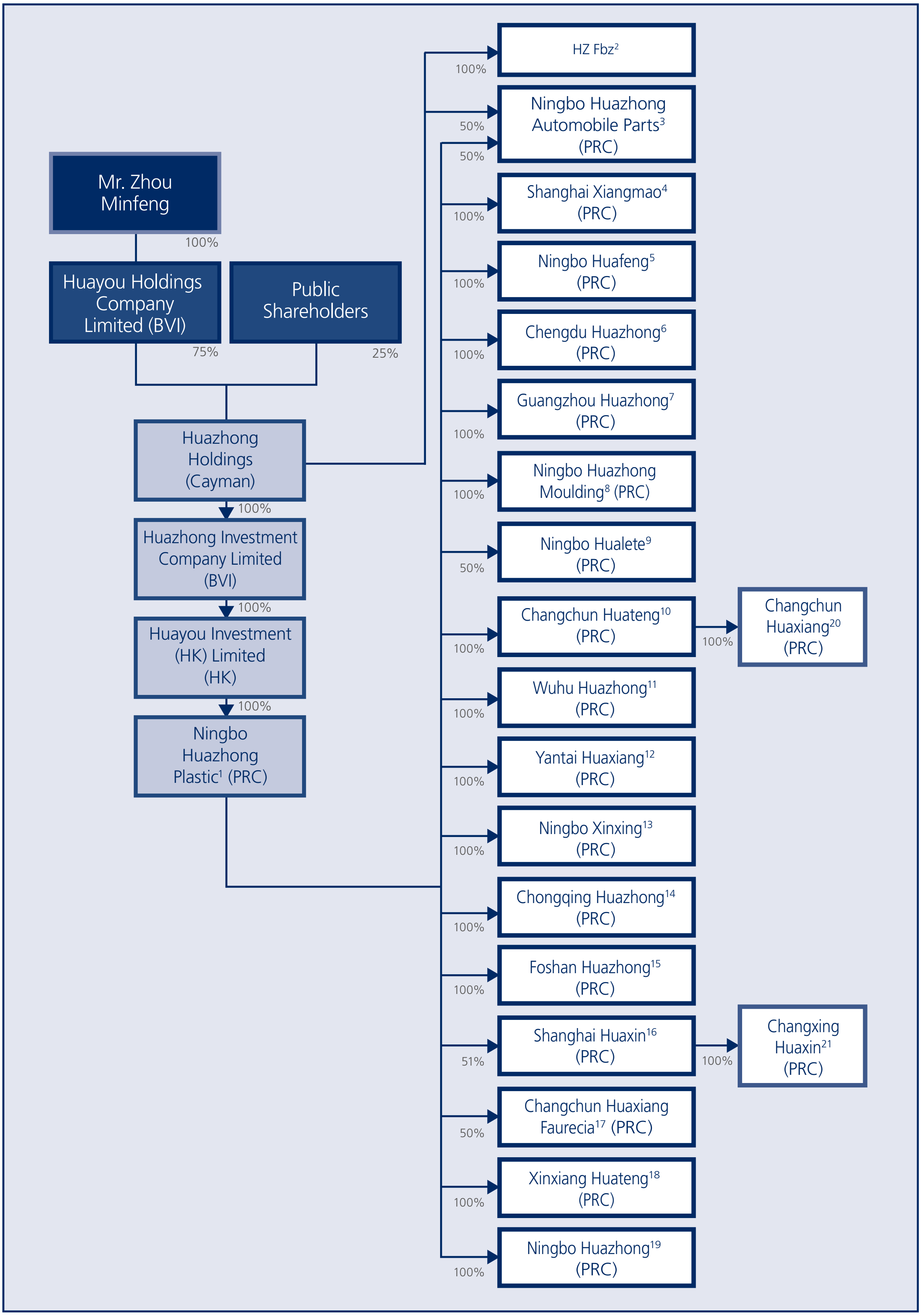
Prospect

The growth of vehicle fleet has placed enormous pressure on China's energy supply and environment. Therefore, automobile manufacturers are paying more and more efforts to produce lightweight vehicles that reduce energy-consumption and pollutant-emission. Plastics, being the most important automotive lightweight material, have thus seen strong growth potential. With the continues technology advancement to improve its strengths, tensile properties and hardness, plastic applications in automobile manufacturing has moved from decorative parts to functional structures, such as bumpers and bonnet components. Recently, plastic is even applied in automobile skeleton.

In the United Nations Climate Conference in Paris in 2015, President Xi Jinping reaffirmed the importance of transitioning China to a low-carbon economy, with an aim to combat global climate change. With the enactment of such national strategy, as a primary lightweight material, the demand of plastic automotive parts will see huge growth potential. According to the estimation by ResarchInChina, the market size of plastic parts (in passenger vehicles) in China is estimated to reach approximately RMB85.1 billion in 2015, representing a substantial increase of 46.3% from that in 2010.

To capture the opportunities ahead, the Group will continue to implement its development strategy - "expanding existing production facilities and capacity, committing to product development and engineering as well as implementing strategic investments". The Group will upgrade and expand the Hangzhou Bay and Chongqing plant in 2015 to cope with the increasing demand from customers in the western China. Moreover, the Group will work closely with our customers in the research and develop automotive parts for new vehicle models that to be launched in 2015 and 2016. We believe that, there are immense growth potentials for the automobile market in China, which will inevitably drive the growth of the automobile body parts.

COMPANY STRUCTURE



Notes:

1. Ningbo Huazhong Plastic Products Co., Ltd.
（寧波華眾塑料製品有限公司）

2. HZ Fbz Formenbau Züttlingen GmbH

3. Ningbo Huazhong Automobile Parts Co., Ltd.
（寧波華眾汽車零部件有限公司）

4. Shanghai Xiangmao Automobile Parts Co., Ltd.
（上海翔茂汽車零部件有限公司）

5. Ningbo Huafeng Plastic and Latex Products Co., Ltd.
（寧波華峰橡塑件有限公司）

6. Chengdu Huazhong Automobile Parts Co., Ltd.
（成都華眾汽車零部件有限公司）

7. Guangzhou Huazhong Automobile Decorative Parts Co., Ltd.
（廣州華眾汽車飾件有限公司）

8. Ningbo Huazhong Moulding Manufacturing Co., Ltd.
（寧波華眾模具製造有限公司）

9. Ningbo Roekona-Zoeppritex-Tex-Line Co., Ltd.
（寧波華樂特汽車裝飾布有限公司）

10. Changchun Huateng Automobile Parts Co., Ltd.
（長春市華騰汽車零部件有限公司）

11. Wuhu Huazhong Automotive Parts Co., Ltd.
（蕪湖華眾汽車零配件有限公司）

12. Yantai Huaxiang Automotive Parts Co., Ltd.
（煙台華翔汽車零部件有限公司）

13. Ningbo Xinxing Automobile Plastic Parts Manufacturing Co., Ltd.
（寧波新星汽車塑料件製造有限公司）

14. Chongqing Huazhong Automobile Decorative Parts Co., Ltd.
（重慶市華眾汽車飾件有限公司）

15. Foshan Huazhong Automobile Parts Co., Ltd.
（佛山華眾汽車零部件有限公司）

16. Shanghai Huaxin Automobile Latex and Plastic Co., Ltd.
（上海華新汽車橡塑製品有限公司）

17. Changchun Huaxiang Faurecia Automotive Plastic Components Co., Ltd.
（長春華翔佛吉亞汽車塑料件製造有限公司）

18. Xinxiang Huateng Automobile Parts Co., Ltd.
（新鄉市華騰汽車零配件有限公司）

19. Ningbo Huazhong Holdings Co., Ltd.
（寧波華眾控股有限公司）

20. Changchun Huaxiang Automobile Plastic Parts Manufacturing Co., Ltd.
（長春華翔汽車塑料件製造有限公司）

21. Changxing Huaxin Automobile Latex and Plastic Co., Ltd.
（長興華新汽車橡塑製品有限公司）

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

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

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

The Board is of the view that the Company has complied with all applicable provisions set out in the CG Code throughout the Year, except for deviation from provision A.2.1, which stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Please refer to the section headed "Chairman and Chief Executive" below.

Model Code for Securities Transactions by Directors of the Listed Issuers ("Model Code")

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

The Board

During the Year and up to the date of this annual report, the Board consisted of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. During the Year, four Board meetings and two general meeting were held. Details of the attendance of the Directors are as follows:

	Attendance/Number of Meetings	
Name of Director	**Board Meetings**	**Shareholders Meeting**
Executive Directors		
Mr. Zhou Minfeng *(Chairman)*	4/4	1/2
Mr. Chang Jingzhou	4/4	0/2
Non-Executive Directors		
Ms. Lai Cairong	0/4	0/2
Mr. Wang Yuming	2/4	0/2
Mr. He Jifeng (appointed on 7 November 2014)	0/0	0/1
Mr. Guan Xin (appointed on 7 November 2014)	0/0	0/1
Independent Non-Executive Directors		
Mr. Yu Shuli	4/4	0/2
Mr. Tian Yushi	2/4	0/2
Mr. Xu Jiali	4/4	0/2

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

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

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

Directors' Training

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

During the Year, the Company had arranged to provide all Directors with the "Guidelines for Directors" and the "Guide for Independent Non-executive Directors" issued by the Hong Kong Institute of Directors. Each of the Directors has noted and studied the above mentioned documents and the Company has received from each of the Directors confirmation of taking continuous professional training.

Meanwhile, all the newly appointed Directors will receive a personalised induction programme, tailored to their experience and background, which is designed to enhance their knowledge and understanding of the Group's culture and operations. Such programme usually includes a briefing on the Group's structure, businesses and governance practices. An induction programme was held for Mr. He Jifeng and Mr. Guan Xin who were appointed as non-executive Directors on 7 November 2014.

Chairman and Chief Executive

The Group does not at present separate the roles of the chairman and chief executive. Mr. Zhou Minfeng is the chairman and chief executive of the Group. He has extensive experience in the automobile body parts industry and is responsible for the overall corporate strategic planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the Board and the senior management, which comprises of experienced and high caliber individuals. The Board currently comprises two executive Directors, four non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

Non-Executive Directors

Terms of Appointment of Non-executive Directors

Each of the non-executive Directors has entered into a letter of appointment with the Company and was appointed for an initial term of three years commencing from 15 December 2011 and was re-appointed from 15 December 2014 for three years, except that Mr. He Jifeng and Mr. Guan Xin, who were appointed on 7 November 2014 will hold office until the conclusion of the next annual general meeting of the Company and will offer themselves for re-election at the forthcoming annual general meeting.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company and was appointed for an initial term of three years commencing from 12 January 2012 (the "Listing Date") and was re-appointed from 12 January 2015 for three years except that Mr. Xu Jiali, who was re-appointed on 31 July 2013 and was re-appointed on 20 May 2014, will hold office only until the conclusion of the next annual general meeting of the Company after his re-appointment, being eligible for re-election.

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

Independent Non-Executive Directors

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

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

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

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

Joint Company Secretaries

Biographies of Mr. Zhang Senquan and Ms. Ho Wing Yan, the Joint Company Secretaries, are set out in the section headed "Directors and Senior Management" of this annual report of which this corporate governance report forms part. The Joint Company Secretaries have complied with the requirements under Rule 3.29 of the Listing Rules for the Year.

Board Committees

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

Audit Committee

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

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

— reviewed the Group's audited annual results for the year ended 31 December 2013 and the unaudited interim results for the six months ended 30 June 2014, met with the external auditors to discuss such annual results and interim results (without the Company's management being present), and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure had been made; and

— assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management.

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

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

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") on 7 December 2011 with written terms of reference. The primary duties of the Remuneration Committee are to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and make recommendations to the Board on the remuneration of non-executive Directors. The Remuneration Committee currently consists of three members, namely, Mr. Yu Shuli, an independent non-executive Director who is the chairman of the Remuneration Committee, Mr. Zhou Minfeng, an executive Director and Mr. Tian Yushi, an independent non-executive Director. The Board expects the Remuneration Committee to exercise independent judgment and ensure that executive Directors do not participate in the determination of their own remunerations.

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

CORPORATE GOVERNANCE REPORT

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

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

The remuneration of Directors is determined with reference to their duties and responsibilities in the Company as well as the prevailing market conditions. Details of emoluments of Directors for the year ended 31 December 2014 are set out in note 10 to the financial statements. The number of senior management of the Group whose remuneration for the year ended 31 December 2014 fell within the following band is as follows:

	Number of senior management
Nil to RMB1,000,000	3

Nomination Committee

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

The Nomination Committee mainly performed the following duties:

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

— reviewed the structure, size and composition of the Board during the year of 2014; and;

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

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

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

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

Corporate Governance Functions

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

Financial Reporting

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group for each financial period in accordance with the requirements of the laws and regulations and applicable accounting standards to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2014, the Directors have selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The statement of the auditors of the Company concerning their responsibilities for the consolidated financial statements of the Company is set out in the Independent Auditors' Report on page 34 of this annual report.

Auditors' Remuneration

The Company has appointed Ernst & Young as the external auditors of the Company. During the year ended 31 December 2014, the Group was required to pay an aggregate of approximately RMB3.04 million (2013: RMB2.94 million) to the external auditors for their audit services relating to financial information.

Internal Control

The Board is responsible for maintaining sound and effective internal control systems in order to safeguard the Group's assets and Shareholders' interests, and review and monitor the effectiveness of the Company's internal control and risk management systems on a regular basis so as to ensure that internal control and risk management systems in place are adequate. The Company has established written policies and procedures applicable to all operating units to ensure the effectiveness of internal controls. The Company also has a process for identifying, evaluating, and managing the significant risks to the achievement of its operational objective. This process is subject to continuous improvement and was in place throughout the Year and up to the date of this annual report. The day-to-day operation is entrusted to the individual department, which is accountable for its own conduct and performance and is required to strictly adhere to the policies set by the Board. The Company carries out reviews on the effectiveness of the internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

During the Year, the Board has conducted a review and assessment of the effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management. There were certain deficiencies in inventory management in prior years. However, since 2013, we have developed a plan and taken actions to strengthen our internal control over inventory management, including increasing our internal resources to address inventory matters and increasing the frequency of management review. The Board therefore believes that the existing internal control systems are adequate and effective. The Board's annual review also covered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

Shareholders' Rights

To convene an extraordinary general meeting

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

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Joint Company Secretaries by mail at Room 1704, 17/F., Tai Yau Building, 181 Johnston Road, Wanchai, Hong Kong or by email at huazhong6830@yahoo.com.hk. The Joint Company Secretaries forward communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive of the Company.

Procedures for putting forward proposals at general meeting

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

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

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

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

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

Constitutional documents

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

Communication with Shareholders

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

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

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Zhou Minfeng (周敏峰), aged 48, was appointed as an executive Director on 3 December 2010. He is the chairman of the Board, executive Director and chief executive of the Company. He is also a member of the remuneration committee and the chairman of the nomination committee of the Company. Mr. Zhou has over 21 years of experience in the automobile body parts industry and is primarily responsible for the overall corporate strategic planning and business development of the Group. Mr. Zhou is the founder of the Group and is also a director of all the subsidiaries of the Company. Mr. Zhou assumes several social positions, such as the vice chairman of the Ningbo Enterprise Federation (寧波企業聯合會), Ningbo Entrepreneurs Association (寧波市企業家協會) and Ningbo Federation of Industrial Economy (寧波市工業經濟聯合會) since 2009. Mr. Zhou is also a representative of the 12th and 13th Standing Committee of Ningbo Municipal People's Congress (寧波市第十二、十三屆人民代表大會常務委員會代表). Mr. Zhou received a diploma of Master Business Administration from the China Europe International Business School (中歐國際工商學院) in March 2003. Mr. Zhou is the son of Ms. Lai Cairong (賴彩絨), a non-executive Director. With the extensive experience of Mr. Zhou in the industry of manufacturing and trading of automobile body parts, the Directors consider that it is in the best interest of the Group and the Shareholders as a whole for Mr. Zhou to be given the overall management responsibility of the Group as the chief executive of the Company. The Directors consider that vesting the roles of the chairman of the Board and chief executive of the Company in the same person, namely Mr. Zhou, is appropriate to the Company at the present stage of the corporate development of the Group and believe that such arrangement will not result in any material adverse impact on the efficiency of operation and management and the quality of the corporate governance system of the Company.

Mr. Chang Jingzhou (常景洲), aged 54, was appointed as an executive Director on 7 December 2011. Mr. Chang has over 14 years of experience in the automobile body parts industry and is primarily responsible for overall production management, technology quality assurance and project management of the Group. Mr. Chang worked for the People's Liberation Army of PRC from January 1980 to December 1982. From 1996 to December 1998, Mr. Chang served various positions in Xi'an Airport Industry Wei Yuan Company (西安飛機工業渭原公司), including head of technical department and general engineer. Mr. Chang joined the Group in June 2000 as supervisor of technology development and was promoted to vice general manager in August 2008. Mr. Chang obtained the bachelor's degree in Machinery Manufacturing Process and Equipment (機械製造工藝與設備) from Xi'an City Employee University (西安市職工大學) in June 1990.

Non-executive Directors

Ms. Lai Cairong (賴彩絨), aged 70, was appointed as a non-executive Director on 7 December 2011. Ms. Lai served as a director of Ningbo Huazhong Plastic since September 1999. Since August 2008, Ms. Lai also served as the chairperson of the board of Xiangshan Huangxiang International Hotel (象山華翔國際大酒店). Ms. Lai is the mother of Mr. Zhou, the executive Director, chairman and chief executive of the Company. Ms. Lai graduated from Xizhou Middle School (西周中學) in July 1961.

Mr. Wang Yuming (王玉明), aged 58, was appointed as a non-executive Director on 7 December 2011. Mr. Wang currently serves as the general manager of First Automobile Work Sihuan Group Company (一汽四環集團公司) since 2007. Mr. Wang served as the director of Changchun Faway Automobile Components Co., Ltd. (長春一汽富維汽車零部件股份有限公司) since December 2007. Mr. Wang received a master's degree in Senior Management and Business Management (高級管理人員與工商管理) from Dongbei University of Finance and Economics (東北財經大學) in June 2008.

Mr. He Jifeng (何積豐), aged 71, was appointed as a non-executive Director on 7 November 2014. Mr. He has served successively as a lecturer, associate professor, professor and dean at East China Normal University (華東師範大學) since February 1965. Mr. He was elected as an academician of Chinese Academy of Sciences (中國科學院) in November 2005. He was also among the first to promote the internet of vehicles (汽車移動物聯網) in China. He is a member of the presidium and an executive director of Joint Construction Commission of New Generation National Traffic Control Network (the "Commission") (新一代國家交通控制網聯合建設委員會). The Commission was jointly founded by ten big state-owned enterprises and ten distinguished universities in China, whose objective is to design and develop the new generation of national traffic control network (新一代國家交通控制網). Mr. He obtained a bachelor's degree in mathematics from Fudan University (復旦大學) in 1965.

Mr. Guan Xin (管欣), aged 53, was appointed as a non-executive Director on 7 November 2014. Mr. Guan has been the head of the Institute of Automotive Research of Jilin University (吉林大學汽車研究院) since May 2010 and the director of the State Key Laboratory of Automotive Simulation and Control of Jilin University (吉林大學汽車仿真與控制國家重點實驗室) since March 1998. Mr. Guan is also a professor specializing in automotive design and manufacture. From December 2004 to December 2012, Mr. Guan was the dean of the College of Automotive Engineering of Jilin University (吉林大學汽車工程學院). From June 1993 to March 1998, he was the executive deputy director of the State Key Laboratory of Automotive Dynamic Simulation of Jilin University of Technology (吉林工業大學汽車動態模擬國家重點實驗室). From February 1989 to June 1993, he was a lecturer and associate professor at Jilin University of Technology. Mr. Guan obtained a bachelor's degree, a master's degree and a doctoral degree in engineering from Jilin University of Technology (吉林工業大學) in 1982, 1985 and 1990 respectively.

Independent non-executive Directors

Mr. Yu Shuli (於樹立), aged 66, was appointed as an independent non-executive Director on 7 December 2011. Mr. Yu is also the chairman of the audit committee and the remuneration committee of the Company and a member of the nomination committee of the Company. Mr. Yu received a diploma in economics from Shanghai Financial School (上海財經學院) in July 1985. Mr. Yu served as the head of financial department, vice general accountant, general accountant and head of the factory of Aerospace Shanghai Xinxin Machine Factory (航天部上海新新機器廠) from 1986 to 1997. Mr. Yu then joined Shanghai Delphi Automotive Air Conditioning Systems Co., Ltd. (上海德爾福汽車空調系統有限公司) and worked as a general manager until June 2006. Subsequently, Mr. Yu served as the head of the Shanghai Automotive Air Conditioner Factory (上海汽車空調器廠) until November 2008. Mr. Yu currently serves as the director of Zhejiang Sanhua Co., Ltd. (浙江三花股份有限公司) since April 2006. Mr. Yu became a qualified senior accountant in the PRC in August 1995. Subsequently, Mr. Yu served as an independent executive of Ningbo Huaxiang Electronics (寧波華翔電子股份有限公司), a company listed on Shenzhen Stock Exchange, from January 2008 to December 2013 and has been a supervisor of Ningbo Huaxiang Electronics since January 2014.

Mr. Tian Yushi (田雨時), aged 69, was appointed as an independent non-executive Director on 7 December 2011. Mr. Tian is also a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Tian received the bachelor's degree in machinery from Harbin Industrial University (哈爾濱工業大學) in July 1970 and the bachelor's degree in party policy management (黨政管理) from correspondence school of CPC Central Committee Party School (中共中央黨校函授學院) in December 1992. Mr. Tian served various positions in China First Automobile Group (中國第一汽車集團公司) (formerly known as CPC First Automobile Factory (中共第一汽車製造廠)), a state-owned enterprise which is principally engaged in automobile manufacturing, including department head of the party committee, director for production and dispatching, general director for dispatching, assistant to the general manager and director for coordination and supporting from May 1991 to January 2000. Mr. Tian was then designated as the general manager of Fawer Automotive Parts Company Ltd. (富奧汽車零部件有限公司), a subsidiary of China First Automobile Group in January 2000. From January 2000 to July 2005, Mr. Tian also served as the chairman of more than 12 subsidiaries of First Automobile Works (第一汽車集團公司). Mr. Tian was appointed as senior consultant of China Auto Parts & Accessories Corp. (中國汽車零部件工業公司) in October 1996. Mr. Tian currently serves as an evaluation expert of the Investment Projects of Jilin Province and an evaluation expert of the Key Projects of Changchun.

Mr. Xu Jiali (徐家力), aged 54, was appointed as an independent non-executive Director on 31 July 2013. Mr. Xu is also a member of the audit committee of the Company. He has been the Head of the Institute of Law of Beijing Academy of Social Sciences (北京市社會科學院法學研究所) since April 2013, the Associate Dean of the Lawyer College of Renmin University of China (中國人民大學律師學院) since 2012 and a director and tutor of PhD students of the Center for Intellectual Property Rights Studies of China University of Political Science and Law (中國政法大學知識產權研究中心) since 2007. Mr. Xu obtained a bachelor's degree in laws from Peking University (北京大學) in 1983 and further obtained his master's degree and doctoral degree in laws from China University of Political Science and Law (中國政法大學) in 1986 and 2000 respectively. He is a practicing lawyer in the People's Republic of China and is a founding partner of Longan Law Firm (隆安律師事務所). Mr. Xu was the Dean of the Law School of Guizhou Normal University (貴州師範大學法學院) from 2004 to 2007. He served as a director and the executive vice-president of the Beijing Lawyers Association (北京律師協會) from 1995 to 2005 and a prosecutor of the Supreme People's Procuratorate of the People's Republic of China (中華人民共和國最高人民檢察院) from 1986 to 1992.

Senior Management

Mrs. Joey Ou (區雪瓊), aged 43, is the general manager of Ningbo Huazhong Plastic Co. Ltd. and is mainly in charge of its operation. Mrs. Ou has joined Ningbo Huazhong Plastic Co. Ltd. from January 2009 to June 2010 as deputy vice general manager. Since September 2013, she has joined Ningbo Huazhong Plastic Co. Ltd. again as general manager. Before participating in the Ningbo Huazhong Plastic Co. Ltd., Mrs. Ou had been the general manager of Ningbo Tanner Garment Co. Ltd (US) from February 2007 to July 2008. She has been in charge of Shanghai Stoll Fashion and Technology International Center (Germany) as general manager from July 2003 to January 2007. She has been senior customer service manager and franchised school director in EF English First from June 2000 to June 2003.

Mrs. Joey Ou graduated from Shanghai Jiao Tong University, majoring in Industry & International Trade in July 1994. She also got the EMBA degree of China Europe International Business School (CEIBS) in June 2005.

Mr. Zhou Ruqing (周汝青), aged 68, is the vice general manager and is primarily responsible for the daily management. From August 1988 to October 1993, Mr. Zhou served as a technician of Ningbo Huaxiang Electronics (a company listed on the Shenzhen Stock Exchange). Mr. Zhou then joined Ningbo Huazhong Plastic and worked as a head of the factory until June 1999. Mr. Zhou served as the vice general manager of Ningbo Xinxing until May 2004. From May 2004 to September 2009, Mr. Zhou worked as the vice general manager of Ningbo Huaying Incos Mould Manufacturing Co., Ltd. (寧波華英模具科技發展有限公司), a private company which is principally engaged in mould manufacturing. Mr. Zhou worked as the vice general manager of Ningbo Huazhong Moulding since September 2009. Mr. Zhou became an engineer in December 1993. Mr. Zhou graduated from Xizhou Middle School (西周中學) in July 1963.

Mr. Zhang Senquan (張森泉), aged 38, joined the Company on 23 May 2014 and is the chief financial officer and a joint company secretary of the Company. He is a member of Hong Kong Institute of Certified Public Accountants and China Institute of Certified Public Accountants. Prior to joining the Company, Mr. Zhang served as head of the Strategic Development Department of Goodbaby International Holdings Limited, shares of which are listed on The Stock Exchange of Hong Kong (stock code: 1086), from March 2013 to April 2014. He has more than 10 years of professional experience in accounting and auditing, and worked at Ernst & Young, KPMG and Deloitte Touche Tohmatsu serving several positions from audit staff to audit partner from 1999 to 2012. Mr. Zhang received his bachelor's degree from Fudan University in China in 1999.

Mr. Cui Jihong (崔繼宏), aged 49, is the assistant to general manager of the Company and is primarily responsible for sales. From February 2001 to October 2004, Mr. Cui served various positions in Ningbo Huazhong Plastic, including the department head for sales, production and technology. Mr. Cui was then delegated to join Nanchang Jiangling Huaxiang Automobile Parts Co., Ltd. (南昌江鈴華翔汽車零部件有限公司), a private company which is principally engaged in automobile body parts manufacturing in October 2004 and worked as the vice general manager until November 2007. Mr. Cui then joined Ningbo Huazhong Plastic and worked as the assistant of the general manager since April 2008. Mr. Cui became an engineer in September 1993. Mr. Cui obtained the bachelor's degree from Dalian University of Technology (大連理工大學) in July 1988.

Joint Company Secretaries

Mr. Zhang Senquan (張森泉) is a member of the senior management and a Joint Company Secretary. Please refer to his biography under the paragraph headed "Senior Management" above.

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

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2014.

Principal Activities

The Company is an investment holding company. The Group is one of the principal suppliers of automobile body parts in China. The Group offers one-stop solution to its customers, from the design and manufacture of moulds and tooling for mass production of specific products to the development and manufacture of new products which meet its customers' functional requirements and specifications.

Subsidiaries

Details of the principal subsidiaries of the Group as at 31 December 2014 are set out in note 20 to the financial statements.

Financial Statements

The profit of the Group for the year ended 31 December 2014 and the state of the Group's and the Company's affairs as at that date are set out in the financial statements on pages 36 to 39 and page 44 of this annual report.

Dividends

No final dividend (2013: HK$0.025 per ordinary share) was proposed by the directors of the Company for the year ended 31 December 2014.

Reserves

Details of movements in reserves of the Company and the Group are set out in note 35 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves of the Company

As at 31 December 2014, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"), amounted to HK$47,355,000 (approximately RMB37,358,000), of which no final dividend has been proposed for the Year. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account under certain circumstances.

Property, Plant and Equipment

Movements in property, plant and equipment of the Group for the year ended 31 December 2014 are set out in note 16 to the financial statements.

Issued Capital

Details of the movements in issued capital of the Company during the year ended 31 December 2014 are set out in note 33 to the financial statements.

REPORT OF THE DIRECTORS

Directors

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

Executive Directors
Mr. Zhou Minfeng *(Chairman)*
Mr. Chang Jingzhou

Non-Executive Directors
Ms. Lai Cairong
Mr. Wang Yuming
Mr. He Jifeng (appointed on 7 November 2014)
Mr. Guan Xin (appointed on 7 November 2014)

Independent Non-Executive Directors
Mr. Yu Shuli
Mr. Tian Yushi
Mr. Xu Jiali

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

Each of the executive Directors on the Board during the year ended 31 December 2014 had entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and thereafter may be terminated by not less than three months' notice in writing or payment in lieu of such notice served by either party on the other. The service contracts are automatically renewed upon expiration.

Each of the non-executive Directors has entered into a letter of appointment with the Company and was appointed for an initial term of three years commencing from 15 December 2011 and was re-appointed from 15 December 2014 for three years, except that Mr. He Jifeng and Mr. Guan Xin, who were appointed on 7 November 2014 will hold office until the conclusion of the next annual general meeting of the Company and will offer themselves for re-election at the forthcoming annual general meeting.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company and was appointed for an initial term of three years commencing from 12 January 2012 (the "Listing Date") and was re-appointed from 12 January 2015 for three years except that Mr. Xu Jiali, who was appointed on 31 July 2013 and was re-appointed on 20 May 2014, will hold office only until the conclusion of the next annual general meeting of the Company after his re-appointment, being eligible for re-election.

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

By virtue of article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Mr. He Jifeng and Mr. Guan Xin, who were appointed on 7 November 2014, will hold office only until the forthcoming annual general meeting of the Company and will, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

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

Directors' and Senior Management's Biographies

Biographical details of the Directors and senior management are set out on pages 20 to 22 of this annual report.

Directors' Interests in Contracts

There was no contract of significance to which the Company, its holding company, or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during the year ended 31 December 2014.

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

As at 31 December 2014, the Directors and the chief executive of the Company had the following interests or short positions in the shares (the "Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long position in the Company

Name of Director	Capacity/ Nature of interest	Number of Shares	Number of Underlying Shares	Approximate percentage of the issued share capital
Mr. Zhou Minfeng	Interests of controlled corporation (1)	600,000,000	—	75.00%
	Beneficial owner	—	1,500,000 (2)	0.18% (4)
	Spouse's interest	—	1,000,000 (2)(3)	0.12% (4)
Mr. Chang Jingzhou	Beneficial owner	—	600,000 (2)	0.07% (4)
Ms. Lai Cairong	Beneficial owner	—	3,800,000 (2)	0.47% (4)

Notes:

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

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

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

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

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2014, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

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

Share Option Schemes

Pre-IPO Share Option Scheme

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

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

Note:

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

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

Name	Outstanding as at 1 January 2014	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Outstanding as at 31 December 2014
Directors						
Mr. Zhou Minfeng	1,500,000	—	—	—	—	1,500,000
Mr. Chang Jingzhou	600,000	—	—	—	—	600,000
Ms. Lai Cairong	3,800,000	—	—	—	—	3,800,000
Senior Management						
In aggregate	1,550,000	—	—	—	—	1,550,000
Others						
In aggregate	9,900,000	—	—	—	—	9,900,000
Total	17,350,000	—	—	—	—	17,350,000

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

Further details of the Pre-IPO Share Option Scheme are set out in note 34 to the financial statements.

Share Option Scheme

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

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

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

(a) the nominal value of a Share;

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

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

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

During the Year, there is no option outstanding, granted, exercised, lapsed and cancelled under the Share Option Scheme.

Arrangement for Directors to Purchase Shares or Debentures

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

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

So far as is known to any Director or chief executive of the Company, as at 31 December 2014, the persons or corporations (other than Director or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long position in the Company

Name	Capacity/Nature of Interest	Number of Shares	Number of Underlying Shares	Approximate percentage of issued share capital
Huayou Holdings (1)	Beneficial owner	600,000,000	—	75.00%
Chen Chun'er (2)	Beneficial owner	—	1,000,000 (3)	0.12% (6)
	Spouse's interest	600,000,000 (4)	—	75.00%
		—	1,500,000 (5)	0.18% (6)
Munsun Asset (7) Management (Asia) Ltd	Investment manager	56,898,000	—	7.11%
Munsun Asset (7) Management Ltd	Interests of controlled corporation	56,898,000	—	7.11%

Notes:

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

(2) Spouse of Mr. Zhou Minfeng.

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

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

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

(6) Calculated based on the number of issued Shares taking into account Shares which may be allotted and issued to all grantees upon their full exercise of the options under the Pre-IPO Share Option Scheme as at 31 December 2014.

(7) Munsun Asset Management (Asia) Ltd is wholly-owned by Munsun Assets Management Ltd.

Save as disclosed above, as at 31 December 2014, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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

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

Note:

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

Save as disclosed above, as at 31 December 2014, the Directors and the chief executive of the Company are not aware of any other person or corporation who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

REPORT OF THE DIRECTORS

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

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

Letter of Intent in Respect of the Establishment of Joint Venture Company

On 10 October 2014, Ningbo Huazhong Plastic Products Co., Ltd. ("Ningbo Huazhong Plastic"), a wholly-owned subsidiary of the Company, entered into the non-legally binding letter of intent (the "LOI") with Telenav Information Technology (Shanghai) Co., Ltd. ("Telenav Information"). The LOI contains the parties' intention to establish a joint venture company (the "Joint Venture Company") (the "Proposed Transaction").

The Joint Venture Company shall be an internet enterprise, primarily providing leading mass data value-added platform through internet, online and offline platforms to enterprises and users, such as car users, car manufacturers, car services companies, insurance companies and large e-commerce and internet enterprises. The Joint Venture Company will be principally engaged in the development of cloud platform technology, innovative, internet-related and smart phone-compatible automobile system products (mass data value-added platform, software and hardware), and the development, production, sales and related services of integrated information, entertainment and wireless data communication products.

Ningbo Huazhong Plastic shall be the controlling shareholder of the Joint Venture Company. Ningbo Huazhong Plastic and Telenav Information intend to contribute an aggregate amount of RMB80 million to the Joint Venture Company as initial investments. No payment is required to be made by the Group upon the signing of the LOI.

We believe that the Joint Venture Company will become a competitive automobile internet enterprise in China, a mass data platform enabling the interconnections between people, cars, smart phone systems and e-commerce, and a vertically-integrated enterprise with production facilities, sales and services, providing quality services for enterprises and users such as car users, car manufacturers, car services companies, insurance companies and large e-commerce and internet enterprises. We believe that the Proposed Transaction will enable the Company to enter the mass market of automotive interconnection products and services, and consolidate its position as a leading manufacturer of automotive parts in China.

The Proposed Transaction is subject to, among other things, the signing of the joint venture agreement, the terms and conditions of which are yet to be agreed. In the event that the Proposed Transaction proceeds, the Company shall comply with the relevant disclosure and/or shareholders' approval requirements under the Listing Rules where appropriate.

Connected Transactions

During the Year, the Group had the following connected transactions:

Acquisition of property

Sale and Purchase Agreement I

On 24 October 2014, Ningbo Huazhong Plastic, a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with 寧波華友置業有限公司 (Ningbo Huayou Properties Co., Ltd.*) ("Ningbo Huayou Properties"), pursuant to which Ningbo Huayou Properties agreed to sell and Ningbo Huazhong Plastic agreed to purchase Flats 1-1, 2-2, 2-3, 2-4, 7-1, 7-2, 7-3, 9-2 and 9-3, Block 3, Lot III-7-D2 in Gaoxinn District, Ningbo, Zhejiang Province, PRC (the "Office Units I") at a consideration of RMB29,269,458 (equivalent to approximately HK$36,586,823) which will be satisfied by internal resources of the Group.

As at the date hereof, Ningbo Huayou Properties is owned as to 82% by Mr. Zhou Minfeng, the chairman of the Board, and 18% by 華翔集團股份有限公司 (Huaxiang Group Co., Ltd.*), which is ultimately and beneficially owned by Mr. Zhou Minfeng's family members. Ningbo Huayou Properties is therefore a connected person of the Company under the Listing Rules. Accordingly, the purchase of the Office Units I by Ningbo Huazhong Plastic from Ningbo Huayou Properties constitutes a connected transaction for the Company under the Listing Rules.

Sale and Purchase Agreement II

On 24 October 2014, 長春市華騰汽車零部件有限公司 (Changchun Huateng Automobile Parts Co., Ltd.*) ("Changchun Huateng"), a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with 長春華友置業有限公司 (Changchun Huayou Properties Co., Ltd*) ("Changchun Huayou Properties"), pursuant to which Changchun Huayou Properties agreed to sell and Changchun Huateng agreed to purchase Flats 1502 to 1508, Block 11, Jingyue Development Zone, Changchun, Jilin Province, PRC (the "Office Units II") at a consideration of RMB10,280,800 (equivalent to approximately HK$12,851,000) which will be satisfied by internal resources of the Group.

As at the date hereof, Changchun Huayou Properties is owned as to 49% by Mr. Zhou Minfeng and 51% by Ningbo Huayou Properties. Changchun Huayou Properties is therefore a connected person of the Company under the Listing Rules. Accordingly, the purchase of the Office Units II by Changchun Huateng from Changchun Huayou Properties constitutes a connected transaction for the Company under the Listing Rules.

Given Ningbo Huayou Properties and Changchun Huayou Properties are associates of Mr. Zhou Minfeng, the connected transactions in relation to the purchases of the Office Units shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

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

Related Party Transactions

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

Contracts With Controlling Shareholders

Certain contracts of significance were entered into between the Company or any of its subsidiaries and the controlling Shareholders during the year ended 31 December 2014. Details of which were disclosed in the paragraph headed "Connected transactions" above.

Non-Compete Undertakings

Each of the controlling Shareholders has confirmed to the Company of his/its compliance with the non-compete undertakings provided to the Company under the Deed of Non-Competition (as defined in the Prospectus) during the year ended 31 December 2014. The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling Shareholders.

Directors' Interest in Competing Business

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

REPORT OF THE DIRECTORS

Management Contracts

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

Pre-Emptive Rights

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

Emolument Policy

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

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

The Company has adopted two share option schemes to motivate and reward its Directors and eligible employees. Details of these schemes are set out in the paragraph headed "Share Option Schemes" above and details of the Pre-IPO Share Option Scheme are set out in note 36 to the financial statements.

Pension Scheme

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

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

Major Customers and Suppliers

Aggregate sales to the Group's largest and five largest customers accounted for 39.3% (2013: 38.3%) and 72.6% (2013: 70.6%), respectively, of the Group's total revenue from operations.

Aggregate purchases from the Group's largest and five largest suppliers accounted for 15.8% (2013: 26.2%) and 44.3% (2013: 46.9%), respectively, of the Group's total purchases from suppliers.

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

Auditors

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

Sufficiency of Public Float

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

Bank Loans

Details of bank loans of the Company and the Group as at 31 December 2014 are set out in note 30 to the financial statements.

On behalf of the Board
Zhou Minfeng
Chairman

25 March 2015

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of Huazhong In-Vehicle Holdings Company Limited (formerly known as "Huazhong Holdings Company Limited") (the "Company") and its subsidiaries (together, the "Group") set out on pages 36 to 118, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

25 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	6	**1,683,204**	1,470,893
Cost of sales		**(1,278,993)**	(1,123,488)
Gross profit		**404,211**	347,405
Other income and gains	6	**12,485**	16,840
Selling and distribution expenses		**(93,873)**	(99,087)
Administrative expenses		**(159,755)**	(142,562)
Other expenses		**(4,298)**	(6,218)
Operating profit		**158,770**	116,378
Share of profits and losses of:			
An associate		**(295)**	245
Joint ventures	22	**(1,703)**	7,434
Finance income	7	**7,659**	7,037
Finance costs	8	**(44,683)**	(48,238)
PROFIT BEFORE TAX	9	**119,748**	82,856
Income tax expense	12	**(28,526)**	(30,758)
PROFIT FOR THE YEAR		**91,222**	52,098
Attributable to:			
Owners of the parent		**86,583**	47,620
Non-controlling interests		**4,639**	4,478
		91,222	52,098
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	15		
Basic			
– For profit for the year		**RMB0.1082**	RMB0.0595
Diluted			
– For profit for the year		**RMB0.1080**	RMB0.0595

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR		**91,222**	52,098
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(3,300)**	477
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(3,300)**	477
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(3,300)**	477
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**87,922**	52,575
Attributable to:			
Owners of the parent		**83,283**	48,097
Non-controlling interests		**4,639**	4,478
		87,922	52,575

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**552,333**	481,750
Investment properties	17	**38,892**	41,389
Prepaid land lease payments	18	**159,666**	163,972
Intangible assets	19	**4,463**	4,204
Investment in an associate	21	**2,215**	2,730
Investments in joint ventures	22	**57,995**	65,327
Prepayments for acquiring property, plant and equipment		**29,627**	22,098
Deferred tax assets	32	**14,355**	16,593
Total non-current assets		**859,546**	798,063
CURRENT ASSETS			
Inventories	23	**248,000**	181,776
Trade and notes receivables	24	**470,008**	370,913
Prepayments and other receivables	25	**106,653**	81,992
Due from the ultimate controlling shareholder	38(d)	**—**	430
Due from related parties	38(d)	**27,001**	6,808
Pledged deposits	27	**114,246**	128,554
Cash and cash equivalents	27	**197,525**	240,659
Total current assets		**1,163,433**	1,011,132
CURRENT LIABILITIES			
Trade and notes payables	28	**499,499**	450,796
Other payables, advances from customers and accruals	29	**145,774**	125,555
Interest-bearing bank borrowings	30	**556,431**	560,759
Due to the ultimate controlling shareholder	38(d)	**871**	289
Due to related parties	38(d)	**79,535**	41,081
Income tax payable		**56,972**	55,902
Total current liabilities		**1,339,082**	1,234,382
NET CURRENT LIABILITIES		**175,649**	223,250

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**683,897**	574,813
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	30	**117,000**	76,000
Government grants	31	**9,934**	8,969
Deferred tax liabilities	32	**19,941**	23,496
Total non-current liabilities		**146,875**	108,465
Net assets		**537,022**	466,348
EQUITY			
Equity attributable to owners of the parent			
Issued capital	33	**65,120**	65,120
Reserves	35	**442,990**	358,663
Proposed final dividend	14	**—**	15,842
		508,110	439,625
Non-controlling interests		**28,912**	26,723
Total equity		**537,022**	466,348

Zhou Minfeng
Director

Chang Jingzhou
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the parent											
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Reserve funds RMB'000	Merger reserve RMB'000	Share option reserve RMB'000	Proposed final dividend RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2013	65,120	99,866	5,580	27,718	88,278	5,875	6,486	265	96,274	395,462	24,205	419,667
Profit for the year	—	—	—	—	—	—	—	—	47,620	47,620	4,478	52,098
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	477	—	477	—	477
Total comprehensive income for the year	—	—	—	—	—	—	—	477	47,620	48,097	4,478	52,575
Final 2012 dividend declared	—	—	—	—	—	—	(6,486)	—	—	(6,486)	—	(6,486)
Proposed final 2013 dividend (Note 14)	—	(15,842)	—	—	—	—	15,842	—	—	—	—	—
Dividends paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	(1,960)	(1,960)
Transfer from retained profits (Note 35(a))	—	—	—	731	—	—	—	—	(731)	—	—	—
Equity-settled share option arrangements (Note 34)	—	—	—	—	—	2,552	—	—	—	2,552	—	2,552
As at 31 December 2013	65,120	84,024*	5,580*	28,449*	88,278*	8,427*	15,842	742*	143,163*	439,625	26,723	466,348
As at 1 January 2014	**65,120**	**84,024**	**5,580**	**28,449**	**88,278**	**8,427**	**15,842**	**742**	**143,163**	**439,625**	**26,723**	**466,348**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**86,583**	**86,583**	**4,639**	**91,222**
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(3,300)**	**—**	**(3,300)**	**—**	**(3,300)**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(3,300)**	**86,583**	**83,283**	**4,639**	**87,922**
Final 2013 dividend declared	**—**	**—**	**—**	**—**	**—**	**—**	**(15,842)**	**—**	**—**	**(15,842)**	**—**	**(15,842)**
Proposed final 2014 dividend (Note 14)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Dividends paid to non-controlling shareholders	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,450)**	**(2,450)**
Transfer from retained profits (Note 35(a))	**—**	**—**	**—**	**1,454**	**—**	**—**	**—**	**—**	**(1,454)**	**—**	**—**	**—**
Equity-settled share option arrangements (Note 34)	**—**	**—**	**—**	**—**	**—**	**1,044**	**—**	**—**	**—**	**1,044**	**—**	**1,044**
As at 31 December 2014	**65,120**	**84,024***	**5,580***	**29,903***	**88,278***	**9,471***	**—**	**(2,558)***	**228,292***	**508,110**	**28,912**	**537,022**

* These reserve accounts comprise the consolidated reserves of RMB442,990,000 (2013: RMB358,663,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Cash flows from operating activities:			
Profit before tax		**119,748**	82,856
Adjustments for:			
Finance costs	8	**44,683**	48,238
Share of profits and losses of joint ventures and an associate		**1,998**	(7,679)
Interest income	7	**(7,659)**	(7,037)
Gain on disposal of items of property, plant and equipment	6	**(81)**	(57)
Release of government grants	31	**(471)**	(329)
Depreciation of property, plant and equipment	16	**54,361**	55,747
Depreciation of investment properties	17	**2,497**	2,789
Amortisation of prepaid land lease payments	18	**3,576**	3,244
Amortisation of intangible assets	19	**927**	650
Equity-settled share option expense		**1,044**	2,552
Write-down of inventories to net realisable value		**1,915**	2,008
Provision for impairment of property, plant and equipment	16	**—**	1,212
Reversal of impairment of receivables	24	**(1,118)**	(2,239)
Increase in inventories		**(67,510)**	(13,737)
Increase in trade and notes receivables		**(97,977)**	(48,367)
(Increase)/decrease in prepayments and other receivables		**(26,729)**	77,501
Increase in amounts due from related parties		**(4,797)**	(17,709)
Increase/(decrease) in trade and notes payables		**48,703**	(115,997)
Increase in other payables, advances from customers and accruals		**15,715**	15,091
Increase in amounts due to related parties		**28,058**	130,318
Increase in amounts due to the controlling shareholder		**582**	—
Decrease/(increase) in pledged deposits		**36,330**	(14,725)
Cash generated from operations		**153,795**	194,330
Income tax (paid)/refunded		**(28,252)**	1,510
Net cash flows generated from operating activities		**125,543**	195,840

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	**2014 RMB'000**	2013 RMB'000
Cash flows from investing activities:			
Interest received		**4,307**	7,037
Purchases of items of property, plant and equipment		**(132,091)**	(124,966)
Purchases of items of prepaid land lease payments	18	**—**	(25,699)
Purchases of items of intangible assets	19	**(1,307)**	(4,854)
Proceeds from disposal of items of property, plant and equipment		**2,697**	1,444
Proceeds from government grants	31	**1,637**	7,140
Dividends received from a joint venture		**—**	7,500
Dividends received from an associate		**220**	—
Advances to the ultimate controlling shareholder	38(b)	**—**	(750)
Advances to related parties	38(b)	**(91,000)**	(100,970)
Recovery of advances to the ultimate controlling shareholder	38(b)	**430**	30,483
Recovery of advances to related parties	38(b)	**91,000**	111,833
Increase in non-pledged time deposits with original maturity of three months or more when acquired		**(355)**	(60,900)
Net cash flows used in investing activities		**(124,462)**	(152,702)
Cash flows from financing activities:			
New bank loans		**811,598**	966,759
Repayment of bank loans		**(771,171)**	(952,136)
Interest paid		**(44,683)**	(48,238)
Dividends paid	35(b)	**(15,842)**	(6,486)
Dividends paid to non-controlling shareholders		**(2,450)**	(1,960)
Advances from related parties	38(b)	**—**	50,200
Repayment of advances from the ultimate controlling shareholder	38(b)	**—**	(398)
Repayment of advances from related parties	38(b)	**—**	(88,502)
(Increase)/decrease in pledged deposits		**(22,022)**	84,122
Net cash flows (used)/generated from in financing activities		**(44,570)**	3,361

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Net (decrease)/increase in cash and cash equivalents		**(43,489)**	46,499
Cash and cash equivalents at beginning of year		**169,759**	123,260
Cash and cash equivalents at end of year		**126,270**	169,759
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the consolidated statement of cash flows		**126,270**	169,759
Cash and bank balances	27	**126,270**	169,759
Non-pledged time deposits with original maturity of three months or more when acquired	27	**71,255**	70,900
Cash and cash equivalents as stated in the consolidated statement of financial position		**197,525**	240,659

Details of the major non-cash transactions are included in Note 42.

STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**31**	65
Investments in subsidiaries	20	**58,431**	57,764
Total non-current assets		**58,462**	57,829
CURRENT ASSETS			
Prepayments and other receivables	25	**91**	87
Due from a shareholder	38(d)	**—**	62
Due from subsidiaries	20/38(d)	**46,214**	73,966
Cash and cash equivalents	27	**8,165**	2,036
Total current assets		**54,470**	76,151
CURRENT LIABILITIES			
Other payables, advances from customers and accruals	29	**983**	479
Due to subsidiaries	20/38(d)	**—**	717
Total current liabilities		**983**	1,196
Net current assets		**53,487**	74,955
TOTAL ASSETS LESS CURRENT LIABILITIES AND NET ASSETS		**111,949**	132,784
EQUITY			
Issued capital	33	**65,120**	65,120
Reserves	35	**46,829**	51,822
Proposed final dividend	14	**—**	15,842
Total equity		**111,949**	132,784

Zhou Minfeng
Director

Chang Jingzhou
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2014

1. CORPORATE INFORMATION

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

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

Particulars of the companies now comprising the Group are set out in Note 20.

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

With effect from 28 January 2015, the name of the Company was changed from Huazhong Holdings Company Limited to Huazhong In-Vehicle Holdings Company Limited.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). These financial statements also comply with the disclosure applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared on a historical cost convention, except for freehold land classified as property, plant and equipment which have been measured at fair value. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

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

Going concern basis

Notwithstanding that the Group had consolidated net current liabilities of approximately RMB175,649,000 at 31 December 2014, the financial statements have been prepared by the directors of the Company on a going concern basis.

In order to improve the Group's financial position, the directors of the Company have adopted the following measures:

(i) as at 31 December 2014, the Group had unutilised credit facilities from banks of approximately RMB334,590,000;

(ii) the directors of the Company continue to take action to tighten cost controls over various operating expenses, and are actively seeking new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

In the opinion of the directors of the Company, in light of the measures taken to date together with the expected results of other measures in progress, the Group is able to fulfil its financial obligations when they fall due. Accordingly, it is appropriate to prepare the financial statements on a going concern basis, notwithstanding the Group's financial and liquidity positions at 31 December 2014.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following standards and a new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendments to IFRS 2 included in Annual Improvements 2010-2012 Cycle	*Definition of Vesting Condition*[1]
Amendments to IFRS 3 included in Annual Improvements 2010-2012 Cycle	*Accounting for Contingent Consideration in a Business Combination*
Amendments to IFRS 13 included in Annual Improvements 2010-2012 Cycle	*Short-term Receivables and Payables*
Amendments to IFRS 1 included in Annual Improvements 2011-2013 Cycle	*Meaning of Effective IFRSs*

1 Effective from 1 July 2014

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

NOTES TO FINANCIAL STATEMENTS

31 December 2014

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

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

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods 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 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending December 31, 2015. The Group is in the process of making an assessment of the impact of these changes. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investments in associates and joint ventures

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

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

The results of associates and joint ventures are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

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

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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

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

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

Fair value measurement

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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

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

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

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consist with the function of the impaired asset.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a); and

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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

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

	Estimated useful lives
Plant and buildings	20-30 years
Machinery	5-15 years
Motor vehicles	4-6 years
Furniture and fixtures	3-8 years
Tooling	3 years

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

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

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

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of freehold land are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to the profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

Investment properties are measured at cost less accumulated depreciation and any impairment losses. Depreciation is provided over their estimated useful lives on the straight-line basis, after taking into account their estimated residual values. The estimated useful life of the investment properties is 20 years.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. Transfers are made to or from investment property only when there is a change in use.

Intangible assets (other than goodwill)

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

Purchased software

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

Research and development costs

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

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating leases

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

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

The Group's financial assets include cash and cash equivalents, pledged deposits, trade and notes receivables, other receivables, amounts due from the ultimate controlling shareholder and related parties.

Subsequent measurement

Loans and receivables

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

Financial assets carried at amortised cost *(continued)*

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

Loans and borrowings

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

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

Provisions

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

Government grants

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

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

Revenue recognition

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

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

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

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

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

Share-based payments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in Note 34 to the financial statements.

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

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

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

Retirement benefits

Pursuant to the relevant regulations, the subsidiaries of the Group in the People's Republic of China ("PRC") have participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby the subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the PRC subsidiaries with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

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

Dividends

Final dividends proposed by the directors of the Company are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Operating lease commitments — Group as lessor

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

Classification between investment properties and owner-occupied properties

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

Estimates and assumptions

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Details of unrecognised tax losses as at the end of the reporting period are contained in Note 32 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

Estimates and assumptions *(continued)*

Provision for impairment of trade and notes receivables

The provision policy for impairment of trade and notes receivables is based on ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group and the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. Further details are contained in Note 24.

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

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

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

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

Recognition of share-based compensation costs

As further disclosed in Note 34, the Company has granted share options to its employees. The directors of the Company have used the binomial option pricing model, where appropriate, to determine the total fair value of the options granted, which is expensed over the vesting period. Significant estimates, such as the risk-free rate, dividend yield, expected volatility and expected life of options, are required to be made by the directors of the Company as the parameters for applying the option pricing model. The Company engaged Asset Appraisal Limited, an independent appraiser, to perform an appraisal of the fair value of the Company's share options granted during the year ended 31 December 2011.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

Estimates and assumptions *(continued)*

Recognition of share-based compensation costs *(continued)*

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

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

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

5. SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

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

	2014 **RMB'000**	2013 RMB'000
Mainland China	**1,560,140**	1,383,956
Overseas	**123,064**	86,937
Total	**1,683,204**	1,470,893

5. SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

(b) Non-current assets

	2014 **RMB'000**	2013 RMB'000
Mainland China	**804,158**	731,172
Overseas	**41,033**	50,298
Total	**845,191**	781,470

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

Information about major customers

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

Company	**2014** **RMB'000**	2013 RMB'000
Customer A	**661,392**	563,710
Customer B	**249,866**	178,940

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

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31 December 2014

6. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	2014 RMB'000	2013 RMB'000
Revenue:		
Sales of goods	**1,581,282**	1,376,652
Sales of materials	**101,922**	94,241
	1,683,204	1,470,893
Other income and gains:		
Government grants	**1,133**	1,403
Rental income	**6,857**	4,590
Gain on sales of scrap materials	**829**	1,141
Gain on disposal of items of property, plant and equipment	**81**	57
Management fee income (Note (a))	**—**	3,500
Others	**3,585**	6,149
Total	**12,485**	16,840

Note (a) The Group ceased to charge management fee income that represents income for administrative services rendered to Changchun Huaxiang Faurecia Automotive Plastic Components Company Limited ("Changchun Huaxiang Faurecia"), a joint venture of the Group, since July 2013.

7. FINANCE INCOME

	2014 RMB'000	2013 RMB'000
Interest income on bank deposits	**7,659**	7,037

8. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest expense on bank loans and borrowings	**44,683**	41,681
Interest expense on notes discounted	**—**	6,557
	44,683	48,238

9. PROFIT BEFORE TAX

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

	2014 RMB'000	2013 RMB'000
Cost of inventories recognised	**1,278,993**	1,123,488
Depreciation of property, plant and equipment	**54,361**	55,747
Depreciation of investment properties	**2,497**	2,789
Amortisation of land lease payments	**3,576**	3,244
Amortisation of intangible assets	**927**	650
Research and development costs	**45,384**	40,120
Lease payments under operating leases in respect of properties	**5,261**	7,840
Auditors' remuneration	**3,042**	2,937
Employee benefit expense (excluding directors' and chief executive's remuneration (Note 10)):		
Wages and salaries	**159,132**	148,128
Pension scheme costs	**11,123**	8,011
Equity-settled share option expense	**666**	1,564
	170,921	157,703
Gross rental income	**(9,727)**	(9,694)
Less: Direct expenses for generating rental income	**2,870**	5,104
Rental income, net	**(6,587)**	(4,590)
Net foreign exchange losses/(gains)	**2,243**	(173)
Reversal of impairment of trade receivables	**(1,118)**	(2,239)
Write-down of inventories to net realisable value	**1,915**	2,008
Provision for impairment of property, plant and equipment	**—**	1,212
Gain on disposal of items of property, plant and equipment	**(81)**	(57)
Government grants	**(1,133)**	(1,403)
Management fee income	**—**	(3,500)
Interest income	**(7,659)**	(7,037)

NOTES TO FINANCIAL STATEMENTS

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10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap.622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), is as follows:

	2014 RMB'000	2013 RMB'000
Fees	**1,061**	970
Other emoluments:		
Salaries, allowances and benefits in kind	**653**	642
Equity-settled share option expense	**377**	988
Pension scheme contributions	**15**	14
	1,045	1,644
	2,106	2,614

During the year ended 31 December 2011, certain directors of the Company were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in Note 34 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

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

	2014 RMB'000	2013 RMB'000
Mr. Tian Yushi	**194**	194
Mr. Su Xijia	**—**	113
Mr. Yu Shuli	**194**	194
Mr. Xu Jiali	**194**	81
	582	582

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2014					
Executive director and chief executive:					
Mr. Zhou Minfeng	—	375	96	11	482
Executive director:					
Mr. Chang Jingzhou	—	278	38	4	320
	—	653	134	15	802
Non-executive directors:					
Ms. Lai Cairong	194	—	243	—	437
Mr. Guan xin	31	—	—	—	31
Mr. He ji feng	60	—	—	—	60
Mr. Wang Yuming	194	—	—	—	194
	479	—	243	—	722

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2013					
Executive director and chief executive:					
Mr. Zhou Minfeng	—	375	251	11	637
Executive director:					
Mr. Chang Jingzhou	—	267	101	3	371
	—	642	352	14	1,008
Non-executive directors:					
Ms. Lai Cairong	194	—	636	—	830
Mr. Wang Yuming	194	—	—	—	194
Ms. Kuang Min	—	—	—	—	—
	388	—	636	—	1,024

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

NOTES TO FINANCIAL STATEMENTS

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11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director of the Company and the chief executive (2013: one director of the Company and the chief executive), details of whose remuneration are set out in Note 10 above. Details of the remuneration for the year of the remaining three (2013: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2014 **RMB'000**	2013 RMB'000
Salaries, allowances and benefits in kind	**1,600**	1,911
Equity-settled share option expense	**—**	—
Pension scheme contributions	**32**	8
	1,632	1,919

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

	2014	2013
Nil to RMB1,000,000	**3**	3

12. INCOME TAX

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

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

All of the Group's subsidiaries registered in the PRC that have operations only in Mainland China are subject to PRC enterprise income tax ("EIT") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. On 16 March 2007, the PRC government promulgated the Enterprise Income Tax Law of the PRC (the "EIT Law"), which became effective from 1 January 2008. On 6 December 2007, the State Council issued the Implementation Regulation of the EIT Law. The EIT Law and Implementation Regulation changed the tax rate for the PRC enterprises from 33% to 25% from 1 January 2008 onwards.

Pursuant to the relevant tax rules in the PRC, Chongqing Huazhong Automobile Decorative Parts Co., Ltd. ("Chongqing Huazhong") and Chengdu Huazhong Automobile Parts Co., Ltd. ("Chengdu Huazhong") were qualified as Western China development enterprises and were entitled to a preferential rate of 15% during the year ended 31 December 2014 (2013: 15% for Chongqing Huazhong and 25% for Chengdu Huazhong).

In April 2013, Ningbo Huazhong Plastic Products Co., Ltd. ("Ningbo Huazhong Plastic") was accredited as a "High and New Technology Enterprise" for three years starting from December 2012 to enjoy a preferential CIT rate of 15% (2013: 15%) and such qualification expired in September 2015. All other subsidiaries operating in Mainland China were subject to a tax rate of 25% during the year (2013: 25%).

12. INCOME TAX *(continued)*

Pursuant to the local tax rules in Germany, HZ FBZ Formenbau Züttlingen GmbH ("HZ FBZ") was subject to a tax rate of 28.075% (2013: 28.075%) during the year ended 31 December 2014.

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax ("LAT") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interests on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated, made and included in the tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

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

	2014 RMB'000	2013 RMB'000
Current income tax		
Income tax for the year	**29,322**	23,933
Deferred income tax (Note 32)	**(796)**	6,825
Total tax charge for the year	**28,526**	30,758

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

	2014 RMB'000	2013 RMB'000
Profit before tax	**119,748**	82,856
Tax at the statutory tax rate	**29,937**	20,714
Lower tax rate for specific provincial or local tax authority	**(12,758)**	(2,547)
Tax losses not recognised	**7,405**	2,757
Profits and losses attributable to joint ventures and an associate	**500**	(1,175)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**—**	2,000
Non-taxable income	**(181)**	(176)
Under-provision in prior years	**33**	994
Expenses not deductible for tax	**4,312**	2,439
Tax losses utilised	**(841)**	(24)
Effect on opening deferred tax as a result of preferential tax rate	**119**	5,776
Tax charge for the year	**28,526**	30,758

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13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a loss of RMB6,037,000 (2013: RMB6,011,000) which has been dealt with in the financial statements of the Company (Note 35(b)).

14. DIVIDENDS

No final dividend (2013: HK$0.025 per ordinary shares) was proposed by the directors of the Company for the year ended 31 December 2014.

15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share for the year is based on the consolidated net profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 800,000,000 in issue during the year ended 31 December 2014 (2013: 800,000,000).

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the share option scheme (Note 34), where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	2014 RMB'000	2013 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	**86,583**	47,620
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**800,000,000**	800,000,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**1,475,000**	461,000
	801,475,000	800,461,000

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Plant and buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Tooling RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2014							
At 31 December 2013 and 1 January 2014:							
Cost or valuation	271,703	312,221	11,606	18,167	46,000	48,266	707,963
Accumulated depreciation and impairment	(40,317)	(141,037)	(5,269)	(13,122)	(26,468)	—	(226,213)
Net carrying amount	231,386	171,184	6,337	5,045	19,532	48,266	481,750
At 1 January 2014, net of accumulated depreciation and impairment	231,386	171,184	6,337	5,045	19,532	48,266	481,750
Additions	83,301	25,660	428	1,059	3,836	19,038	133,322
Transfers	50,413	2,324	—	—	—	(52,737)	—
Disposals	—	(553)	(380)	(6)	(1,520)	(242)	(2,701)
Depreciation provided during the year	(12,949)	(26,816)	(1,771)	(1,595)	(11,230)	—	(54,361)
Exchange realignment	(2,926)	(2,724)	(25)	(2)	—	—	(5,677)
At 31 December 2014, net of accumulated depreciation and impairment	349,225	169,075	4,589	4,501	10,618	14,325	552,333
At 31 December 2014:							
Cost or valuation	402,342	334,507	10,834	19,170	44,805	14,325	825,983
Accumulated depreciation and impairment	(53,117)	(165,432)	(6,245)	(14,669)	(34,187)	—	(273,650)
Net carrying amount	349,225	169,075	4,589	4,501	10,618	14,325	552,333
Analysis of cost or valuation:							
At cost	396,825	334,507	10,834	19,170	44,805	14,325	820,466
At 31 December 2014 valuation	5,517	—	—	—	—	—	5,517
	402,342	334,507	10,834	19,170	44,805	14,325	825,983

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group *(continued)*

	Plant and buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Tooling RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013							
At 31 December 2012 and 1 January 2013:							
Cost or valuation	241,418	274,310	10,940	16,758	41,901	27,432	612,759
Accumulated depreciation and impairment	(28,323)	(117,115)	(3,885)	(11,450)	(21,271)	—	(182,044)
Net carrying amount	213,095	157,195	7,055	5,308	20,630	27,432	430,715
At 1 January 2013, net of accumulated depreciation and impairment	213,095	157,195	7,055	5,308	20,630	27,432	430,715
Additions	7,666	22,944	1,118	794	16,450	61,212	110,184
Transfers	23,730	16,022	—	626	—	(40,378)	—
Transfers to investment property (Note 17)	(1,424)	—	—	—	—	—	(1,424)
Disposals	—	(506)	(19)	—	(862)	—	(1,387)
Impairment	(1,212)	—	—	—	—	—	(1,212)
Depreciation provided during the year	(10,772)	(24,785)	(1,820)	(1,684)	(16,686)	—	(55,747)
Exchange realignment	303	314	3	1	—	—	621
At 31 December 2013, net of accumulated depreciation and impairment	231,386	171,184	6,337	5,045	19,532	48,266	481,751
At 31 December 2013:							
Cost or valuation	271,703	312,221	11,606	18,167	46,000	48,266	707,963
Accumulated depreciation and impairment	(40,317)	(141,037)	(5,269)	(13,122)	(26,468)	—	(226,213)
Net carrying amount	231,386	171,184	6,337	5,045	19,532	48,266	481,750
Analysis of cost or valuation:							
At cost	265,473	312,221	11,606	18,167	46,000	48,266	701,733
At 31 December 2013 valuation	6,230	—	—	—	—	—	6,230
	271,703	312,221	11,606	18,167	46,000	48,266	707,963

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Included in the property, plant and equipment as at 31 December 2014 were certain buildings with a net carrying value of RMB259,048,000 (2013: RMB127,386,000), of which the property certificates have not been obtained. The directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors of the Company are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2014.

The Group's land included in plant and buildings with carrying amount of RMB5,512,000 (2013: RMB6,230,000) is situated in Germany and is held freehold.

Certain of the Group's buildings with a net carrying value of RMB71,078,000 as at 31 December 2014 (2013: RMB14,908,000) were pledged to secure bank loans granted to the Group (Note 30).

Company

	Furniture	
	2014	2013
	RMB'000	RMB'000
At beginning of the year:		
Cost	**167**	167
Accumulated depreciation and impairment	**(102)**	(37)
Net carrying amount	**64**	130
At beginning of the year, net of accumulated depreciation and impairment	**64**	130
Depreciation provided during the year	**(34)**	(65)
At end of the year, net of accumulated depreciation and impairment	**31**	65
At end of the year:		
Cost	**167**	167
Accumulated depreciation and impairment	**(136)**	(102)
Net carrying amount	**31**	65
Analysis of cost:		
At cost	**167**	167

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17. INVESTMENT PROPERTIES

	2014 RMB'000	2013 RMB'000
Carrying amount at 1 January	**41,389**	42,754
Transfer from owner-occupied property (Note 16)	**—**	1,424
Depreciation	**(2,497)**	(2,789)
Carrying amount at 31 December	**38,892**	41,389

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

The Group's investment properties consist of two industrial properties in China. The directors of the Company have determined that the investment properties consist of one class of asset based on the nature, characteristics and risk of each property. The fair value of the Group's investment properties was RMB61,798,000 as at 31 December 2014 (2013: RMB59,833,000), according to the valuation performed by an independent professionally qualified valuer.

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

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

Included in the investment properties as at 31 December 2014 were certain buildings with a net carrying value of RMB13,018,000 (2013: RMB13,262,000), of which the property certificates have not been obtained. The directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors of the Company are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2014.

The Group's investment property with a net carrying value of RMB3,131,000 as at 31 December 2014 (2013: RMB3,380,000) was pledged to secure bank loans of the Group (Note 30).

Fair value hierarchy

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

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

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

18. PREPAID LAND LEASE PAYMENTS

	2014 RMB'000	2013 RMB'000
At beginning of year	167,631	145,176
Additions	—	25,699
Adjustment	(738)	—
Amortisation	(3,576)	(3,244)
At end of year	163,317	167,631
Current portion included in prepayments and other receivables (Note 25)	(3,651)	(3,659)
At end of year	159,666	163,972

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

Included in the prepaid land lease payments as at 31 December 2014 were certain lands with a net book value of RMB4,042,000 (2013: RMB17,217,000), of which the land use right certificates have not been obtained.

Certain of the Group's prepaid land lease payments with a carrying value of RMB75,586,000 as at 31 December 2014 (2013: RMB31,649,000) were pledged to secure bank loans granted to the Group (Note 30).

19. INTANGIBLE ASSETS

	Software RMB'000	Development Cost RMB'000	Total RMB'000
31 December 2014			
Cost at 1 January 2014, net of accumulated amortisation	4,204	—	4,204
Additions	97	1,210	1,307
Amortisation provided during the year	(857)	(70)	(927)
Exchange realignment	(52)	(69)	(121)
At 31 December 2014	3,392	1,071	4,463
At 31 December 2014			
Cost	4,951	1,210	6,161
Accumulated amortisation	(1,559)	(139)	(1,698)
Net carrying amount	3,392	1,071	4,463

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19. INTANGIBLE ASSETS *(continued)*

	Software RMB'000	Development Cost RMB'000	Total RMB'000
31 December 2013			
Cost at 1 January 2013, net of accumulated amortisation	—	—	—
Additions	4,854	—	4,854
Amortisation provided during the year	(650)	—	(650)
At 31 December 2013	4,204	—	4,204
At 31 December 2013			
Cost	4,854	—	4,854
Accumulated amortisation	(650)	—	(650)
Net carrying amount	4,204	—	4,204

20. INVESTMENTS IN SUBSIDIARIES

Company

	2014 RMB'000	2013 RMB'000
Unlisted equity investment, at cost	**52,408**	52,408
Capital contribution in respect of employee share-based compensation	**6,023**	5,356
	58,431	57,764
Loans to subsidiaries	**46,214**	73,966
	104,645	131,730

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB46,214,000 (2013: RMB73,966,000) and nil (2013: RMB717,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the subsidiaries are as follows:

Name	Place and date of incorporation/ registration and business	Percentage of equity interest attributable to the Company Direct	Indirect	Issued ordinary/ registered share capital	Principal activities
Subsidiaries					
Huazhong Investment Company Limited ("Huazhong Investment")	BVI 7 December 2010	100%	—	US$1	Investment holding
Huayou Investment (Hong Kong) Limited ("Huayou Investment")	Hong Kong 28 December 2010	—	100%	HK$1	Investment holding
Ningbo Huazhong Plastic	PRC/Mainland China 11 September 1993	—	100%	US$5,000,000	Manufacture and sale of plastic automotive products
Ningbo Xinxing Automobile Plastic Parts Manufacturing Co., Ltd. ("Ningbo Xinxing")	PRC/Mainland China 25 December 1984	—	100%	RMB3,400,000	Manufacture and sale of plastic automotive products
Changchun Huateng Automobile Parts Co., Ltd. ("Changchun Huateng")	PRC/Mainland China 22 July 1997	—	100%	RMB1,000,000	Manufacture and sale of plastic automotive products
Changchun Huaxiang Automobile Plastic Parts Manufacturing Co., Ltd. ("Changchun Huaxiang")	PRC/Mainland China 9 June 2000	—	100%	RMB75,000,000	Manufacture and sale of plastic automotive products
Ningbo Huazhong Moulding Manufacturing Co., Ltd. ("Ningbo Huazhong Moulding")	PRC/Mainland China 25 January 2002	—	100%	RMB10,000,000	Design, manufacture, and processing of moulds

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the subsidiaries are as follows: *(continued)*

Name	Place and date of incorporation/ registration and business	Percentage of equity interest attributable to the Company		Issued ordinary/ registered share capital	Principal activities
		Direct	Indirect		
Guangzhou Huazhong Automobile Decorative Parts Co., Ltd. ("Guangzhou Huazhong")	PRC/Mainland China 24 September 2004	—	100%	RMB3,000,000	Manufacture and sale of plastic automotive products
Chongqing Huazhong	PRC/Mainland China 30 August 2007	—	100%	RMB63,000,000	Manufacture and sale of plastic automotive products
Chengdu Huazhong	PRC/Mainland China 22 October 2009	—	100%	RMB20,000,000	Manufacture and sale of plastic automotive products
Shanghai Xiangmao Automobile Parts Co., Ltd. ("Shanghai Xiangmao")	PRC/Mainland China 30 November 2009	—	100%	RMB500,000	Manufacture and sale of plastic automotive products
Ningbo Huafeng Plastic and Latex Products Co., Ltd. ("Ningbo Huafeng")	PRC/Mainland China 17 March 1999	—	100%	RMB1,500,000	Manufacture and sale of plastic automotive products
Wuhu Huazhong Automotive Parts Co., Ltd. ("Wuhu Huazhong")	PRC/Mainland China 1 June 2010	—	100%	RMB10,000,000	Manufacture and sale of plastic automotive products
Yantai Huaxiang Automotive Parts Co., Ltd. ("Yantai Huaxiang")	PRC/Mainland China 16 April 2010	—	100%	RMB10,000,000	Manufacture and sale of plastic automotive products
Shanghai Huaxin Automobile Latex and Plastic Co., Ltd. ("Shanghai Huaxin")	PRC/Mainland China 21 June 1993	—	51%	RMB20,000,000	Import and export of products and technologies (except for the products and technologies restricted or prohibited by the State); sale and processing of plastic and latex products and spare and accessory parts

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the subsidiaries are as follows: *(continued)*

Name	Place and date of incorporation/ registration and business	Percentage of equity interest attributable to the Company		Issued ordinary/ registered share capital	Principal activities
		Direct	Indirect		
Changxing Huaxin Automobile Latex and Plastic Co., Ltd. ("Changxing Huaxin")	PRC/Mainland China 10 May 2011	—	100%	RMB3,000,000	Manufacture and sale of plastic automotive products
Foshan Huazhong Automotive Parts Co., Ltd. ("Foshan Huazhong")	PRC/Mainland China 13 March 2012	—	100%	RMB20,000,000	Manufacture and sale of plastic parts and automotive parts
HZ FBZ	Germany/Mainland China 12 April 2002	100%	—	EUR1,000,000	Manufacture and sale of moulds
Ningbo Huazhong Automotive Parts Co., Ltd. ("Hangzhou Bay Huazhong")	PRC/Mainland China 2 November 2012	50%	50%	US$7,016,000/ US$25,000,000	Manufacture and sale of plastic parts and automotive parts
Xinxiang Huateng Automotive Parts Co., Ltd. ("Xinxiang Huateng")	PRC/Mainland China 1 June 2014	—	100%	Nil/ RMB1,000,000	Manufacture, assembling and sale of automotive parts
Ningbo Huazhong Holdings Co., Ltd. (Ningbo Huazhong Holdings")	PRC/Mainland China 12 September 2014	—	100%	RMB5,000,000	Manufacture and sale of plastic parts and automotive parts

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

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20. INVESTMENTS IN SUBSIDIARIES *(continued)*

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

	2014 RMB'000	2013 RMB'000
Percentage of equity interest held by non-controlling interests:		
Shanghai Huaxin	**49%**	49%

	2014 RMB'000	2013 RMB'000
Profit for the year allocated to non-controlling interests:		
Shanghai Huaxin	**4,639**	4,478
Dividends paid to non-controlling interests of Shanghai Huaxin	**2,450**	1,960
Accumulated balances of non-controlling interests at the reporting dates:		
Shanghai Huaxin	**28,912**	26,723

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

Shanghai Huaxin	2014 RMB'000	2013 RMB'000
Revenue	**127,664**	112,168
Total expenses	**(118,197)**	(103,029)
Profit for the year	**9,467**	9,139
Total comprehensive income for the year	**9,467**	9,139
Current assets	**65,716**	59,220
Non-current assets	**30,224**	33,192
Current liabilities	**(34,642)**	(35,510)
Non-current liabilities	**(2,295)**	(2,364)
Net cash flows from operating activities	**6,942**	10,690
Net cash flows used in investing activities	**(159)**	(4,357)
Net cash flows used in financing activities	**(5,475)**	(4,497)
Net increase in cash and cash equivalents	**1,308**	1,836

21. INVESTMENT IN AN ASSOCIATE

	2014 RMB'000	2013 RMB'000
Share of net assets	**2,215**	2,730

Particulars of the associate are as follows:

Name	Place and date of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Shanghai Baodegu Plastic Science & Technology Co., Ltd. ("Shanghai Baodegu") (Note (i))	PRC/Mainland China 14 June 1995	45%	Manufacture and sale of plastic auto parts

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

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

	2014 RMB'000	2013 RMB'000
Current assets	**3,766**	7,271
Non-current assets	**1,402**	1,542
Current liabilities	**(251)**	(2,750)
Net assets	**4,917**	6,063
Net assets, excluding goodwill	**4,917**	6,063
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**45%**	45%
Group's share of net assets of the associate, excluding goodwill	**2,215**	2,730
Carrying amount of the investment	**2,215**	2,730
Revenues	**3,689**	13,268
(Loss)/profit for the year	**(656)**	544
Total comprehensive (loss)/income for the year	**(656)**	544
Group's share of comprehensive (loss)/income for the year	**(295)**	245
Dividend	**220**	395

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

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22. INVESTMENTS IN JOINT VENTURES

	2014 RMB'000	2013 RMB'000
Share of net assets	**57,995**	65,327

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

Name	Place and date of registration/and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Ningbo Roekona-Zoeppritex-Tex-Line Co., Ltd. ("Ningbo Hualete") (Note (i))	PRC/Mainland China 17 March 2004	50%	50%	50%	Manufacture and sale of auto parts, design and manufacture of high-grade textiles
Changchun Huaxiang Faurecia (Note (ii))	PRC/Mainland China 3 June 2011	50%	50%	50%	Manufacture and sale of auto parts, provision of after-sales services, and technical consultations

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

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

22. INVESTMENTS IN JOINT VENTURES *(continued)*

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

	2014 RMB'000	2013 RMB'000
Cash and cash equivalents	**3,759**	14,832
Other current assets	**125,556**	91,638
Current assets	**129,315**	106,470
Non-current assets	**7,211**	9,337
Financial liabilities, excluding trade and other payables	**(14,737)**	(22,349)
Other current liabilities	**(18,199)**	(13,884)
Net assets	**103,590**	79,574
Net assets, excluding goodwill	**103,590**	79,574
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture, excluding goodwill	**51,795**	39,787
Carrying amount of the investment	**51,795**	39,787
Revenues	**157,025**	143,901
Interest income	**125**	26
Depreciation and amortisation	**(2,407)**	(2,395)
Interest expenses	**(1,058)**	(1,025)
Profit and total comprehensive income for the year	**34,016**	26,013
Group's share of comprehensive income for the year	**17,008**	13,006
Dividend	**5,000**	7,500

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

22. INVESTMENTS IN JOINT VENTURES *(continued)*

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

	2014 **RMB'000**	2013 RMB'000
Cash and cash equivalents	**35,195**	31,927
Other current assets	**319,617**	261,553
Current assets	**354,812**	293,480
Non-current assets	**151,936**	89,056
Financial liabilities, excluding trade and other payables	**(197,732)**	(143,524)
Other current liabilities	**(275,336)**	(187,932)
Net assets	**33,680**	51,080
Net assets, excluding goodwill	**33,680**	51,080
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture, excluding goodwill	**16,840**	25,540
Carrying amount of the investment	**16,840**	25,540
Revenues	**690,524**	782,834
Interest income	**338**	182
Depreciation and amortisation	**(20,111)**	(11,647)
Interest expenses	**(9,381)**	(7,048)
Loss and total comprehensive loss for the year	**(44,752)**	(11,026)
Group's share of comprehensive loss for the year	**(22,376)**	(5,513)

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

23. INVENTORIES

	2014 **RMB'000**	2013 RMB'000
Raw materials	**42,798**	45,259
Work in progress	**55,782**	30,961
Finished goods	**149,420**	105,556
	248,000	181,776

24. TRADE AND NOTES RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables	**438,441**	367,858
Notes receivable	**42,963**	15,569
	481,404	383,427
Impairment of trade receivables	**(11,396)**	(12,514)
	470,008	370,913

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

Certain of the Group's trade receivables with a carrying value of nil as at 31 December 2014 (2013: RMB20,000,000) were pledged to secure bank loans granted to the Group (Note 30).

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

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

	2014 RMB'000	2013 RMB'000
Within 3 months	**388,697**	332,568
3 to 6 months	**35,617**	21,084
6 months to 1 year	**2,420**	992
Over 1 year	**311**	700
	427,045	355,344

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

	2014 RMB'000	2013 RMB'000
At beginning of year	**12,514**	15,156
Reversal of for impairment for the year	**(1,118)**	(2,239)
Amounts written off	**—**	(403)
At end of year	**11,396**	12,514

24. TRADE AND NOTES RECEIVABLES *(continued)*

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

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	**391,159**	333,611
Less than 1 month past due	**21,663**	8,967
1 to 2 months past due	**10,895**	3,045
2 to 3 months past due	**724**	9,053
Over 3 months and within 1 year past due	**2,285**	614
Over 1 year past due	**319**	54
	427,045	355,344

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no history of default.

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

25. PREPAYMENTS AND OTHER RECEIVABLES

	Group		**Company**	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Prepayments	**74,536**	50,387	**—**	—
Other receivables (Note 39)	**25,114**	27,946	**91**	87
Current portion of prepaid land lease payments (Note 18)	**3,651**	3,659	**—**	—
Interest receivable	**3,352**	—	**—**	—
	106,653	81,992	**91**	87

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

26. LOANS TO DIRECTORS

Loans to directors of the Company, disclosed pursuant to section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap.622) with reference to section 161B of the predecessor Hong Kong Companies Ordinance (Cap.32), are as follows:

Name	31 December 2014 RMB'000 (Note 38(d))	Maximum amount outstanding during the year RMB'000	1 January 2014 RMB'000	Security held
Zhou Minfeng ("Mr. Zhou")	—	430	430	None
Guangzhou Chengli Industrial Co., Ltd. (controlled by Mr. Zhou)	—	1,604	1,604	None
Huayou Holdings Company Ltd. (controlled by Mr. Zhou)	—	86	86	None
	—	2,120	2,120	

The loans granted to directors of the Company are unsecured, interest-free and have no fixed terms of repayment.

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Cash and bank balances	**107,671**	41,205	**8,165**	2,036
Time deposits	**204,100**	328,008	**—**	—
	311,771	369,213	**8,165**	2,036
Less: Pledged deposits	**(114,246)**	(128,554)	**—**	—
Cash and cash equivalents in the consolidated statement of financial position	**197,525**	240,659	**8,165**	2,036
Less: Non-pledged time deposits with original maturity of three months or more when acquired	**(71,255)**	(70,900)	**—**	—
Cash and cash equivalents in the consolidated statement of cash flows	**126,270**	169,759	**8,165**	2,036

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27. CASH AND CASH EQUIVALENTS *(continued)*

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

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

Pledged deposits with a carrying value of RMB83,646,000 as at 31 December 2014 (2013: RMB119,975,000) were pledged to secure the issue of notes payable (Note 28).

Pledged deposits with a carrying value of RMB30,600,000 as at 31 December 2014 (2013: RMB8,579,000) were pledged to secure the bank loans granted to the Group (Note 30).

28. TRADE AND NOTES PAYABLES

An aged analysis of the trade and notes payables of the Group as at 31 December 2014, based on the invoice date, is as follows:

	2014 **RMB'000**	2013 RMB'000
Within 3 months	**373,816**	328,634
3 to 12 months	**121,339**	117,371
1 to 2 years	**2,039**	4,172
2 to 3 years	**2,132**	227
Over 3 years	**173**	392
	499,499	450,796

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

Certain notes payable were secured by pledged deposits of the Group with a carrying value of RMB83,646,000 as at 31 December 2014 (2013: RMB119,975,000) (Note 27).

29. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

	Group		Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Other payables (Note 39)	**106,821**	108,145	**983**	479
Advances from customers	**34,125**	12,528	**—**	—
Accruals	**4,156**	4,411	**—**	—
Government grants – current portion (Note 31)	**672**	471	**—**	—
	145,774	125,555	**983**	479

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

30. INTEREST-BEARING BANK BORROWINGS

	2014			2013		
	Effective interest rate %	**Maturity**	**RMB'000**	Effective interest rate %	Maturity	RMB'000
Current						
Bank loans — secured	**4.50-6.9**	**2015**	**169,547**	2.35~6.6	2014	84,759
Bank loans — unsecured	**5.40-6.6**	**2015**	**380,884**	5.04~6.6	2014	472,000
Current portion of long term bank loans — unsecured	**6.77~6.89**	**2015**	**6,000**	6.77~6.89	2014	4,000
			556,431			560,759
Non-current						
Bank loans – secured	**6.55**	**2016**	**27,000**			
Bank loans — unsecured	**6.72~6.89**	**2016-2017**	**90,000**	6.77~6.89	2015-2016	76,000
			673,431			636,759

	2014 RMB'000	2013 RMB'000
Analysed into:		
Bank loans:		
Within one year	**556,431**	560,759
In the second year	**101,000**	4,000
In the third to fifth years, inclusive	**16,000**	72,000
	673,431	636,759

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30. INTEREST-BEARING BANK BORROWINGS *(continued)*

All bank borrowings were obtained from third party financial institutions.

As at 31 December 2014, the Group's bank loans of RMB196,547,000 (2013: RMB84,759,000) were secured by the pledges of the Group's assets with carrying values as follows:

	Notes	2014 RMB'000	2013 RMB'000
Property, plant and equipment	16	**71,078**	14,908
Investment properties	17	**3,131**	3,380
Prepaid land lease payments	18	**75,586**	31,649
Trade receivables	24	**—**	20,000
Pledged deposits	27	**30,600**	8,579
		180,395	78,516

Certain related parties also provided guarantees to the Group's secured bank loans amounting to RMB27,000,000 as at 31 December 2014 (2013: Nil). For details, please refer to Note 38(c)(ii).

31. GOVERNMENT GRANTS

	2014 RMB'000	2013 RMB'000
Carrying amount at beginning of the year	**9,440**	2,629
Received during the year	**1,637**	7,140
Released to profit or loss	**(471)**	(329)
Carrying amount at end of the year	**10,606**	9,440
Current portion, classified under other payables, advances from customers and accruals (Note 29)	**672**	471
Non-current	**9,934**	8,969
	10,606	9,440

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

32. DEFERRED TAX

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

	2014 RMB'000	2013 RMB'000
Deferred tax assets arising from:		
— Provision for receivables	**1,781**	1,952
— Write-down of inventories	**2,578**	4,150
— Accruals	**6,799**	6,379
— Unrealised profits	**2,886**	3,876
— Impairment of property, plant and equipment	**374**	422
	14,418	16,779
Deferred tax liabilities arising from:		
— Valuation surplus	**6,433**	7,611
— Withholding taxes	**13,571**	16,071
	20,004	23,682

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

	Provision for receivables RMB'000	Write-down of inventories RMB'000	Accruals RMB'000	Unrealised profits RMB'000	Tax losses RMB'000	Impairment of property, plant and equipment RMB'000	Total RMB'000
As at 31 December 2012 and 1 January 2013	3,790	5,592	6,182	5,790	384	400	22,138
(Charged)/credited to profit or loss (Note 12)	(1,838)	(1,442)	197	(1,914)	(384)	22	(5,359)
As at 31 December 2013 and 1 January 2014	1,952	4,150	6,379	3,876	—	422	16,779
(Charged)/credited to profit or loss (Note 12)	(171)	(1,572)	420	(990)	—	(48)	(2,361)
As at 31 December 2014	1,781	2,578	6,799	2,886	—	374	14,418

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32. DEFERRED TAX *(continued)*

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

	Valuation surplus RMB'000	Withholding taxes RMB'000	Total RMB'000
As at 1 January 2013	8,145	14,071	22,216
(Credited)/charged to profit or loss (Note 12)	(534)	2,000	1,466
As at 31 December 2013 and 1 January 2014	7,611	16,071	23,682
Credited to profit or loss (Note 12)	(657)	(2,500)	(3,157)
Exchange realignment	(521)	—	(521)
As at 31 December 2014	6,433	13,571	20,004

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

At 31 December 2014, other than the amount recognised in the consolidated financial statements, deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute such remaining earnings in the foreseeable future, as they will be permanently used as the Group's future development fund in Mainland China. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB129,768,000 at 31 December 2014 (2013: RMB54,256,000).

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

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

	2014 RMB'000	2013 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**14,355**	16,593
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(19,941)**	(23,496)

32. DEFERRED TAX *(continued)*

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

	2014 RMB'000	2013 RMB'000
Unused tax losses	**30,252**	23,688
Deductible temporary differences	**250**	250
	30,502	23,938

Among the above tax losses is approximately RMB9,351,000 arising from HZ FBZ, which is entitled to a deduction of future taxable profits with no expiry period. The remaining tax losses are subject to an expiry period of five years for offsetting future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

33. ISSUED CAPITAL

Shares

	2014 RMB'000	2013 RMB'000
Authorised:		
10,000,000,000 (31 December 2013: 10,000,000,000) ordinary shares of HK$0.10 each	**814,800**	814,800
Issued and fully paid:		
800,000,000 (31 December 2013: 800,000,000) ordinary shares of HK$0.10 each	**65,120**	65,120

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34. SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

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

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

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

34. SHARE OPTION SCHEME *(continued)*

Pre-IPO Share Option Scheme *(continued)*

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

	2014 Weighted average exercise price HK$ per share	2014 Number of options '000	2013 Weighted average exercise price HK$ per share	2013 Number of options '000
At 1 January	**1.12**	**17,350**	1.12	17,700
Forfeited during the year	**—**	**—**	1.12	(350)
At 31 December		**17,350**		17,350

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

2014 Number of options '000 per share	2013 Number of options '000	Exercise price HK$	Exercise period
6,072	6,072	1.12	12 January 2013 to 11 January 2017
6,073	6,073	1.12	12 January 2014 to 11 January 2017
5,205	5,205	1.12	12 January 2015 to 11 January 2017
17,350	17,350		

The fair value of the share options granted in 2011 was RMB10,011,000 (RMB0.56 each), of which the Group recognised a share option expense of RMB1,044,000 during the year ended 31 December 2014 (2013: RMB2,552,000).

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

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

34. SHARE OPTION SCHEME *(continued)*

Pre-IPO Share Option Scheme *(continued)*

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

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

At the end of the reporting period, the Company had 17,350,000 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 17,350,000 additional ordinary shares of the Company and additional share capital of HK$1,735,000, equivalent to RMB1,369,000, and share premium of HK$17,697,000, equivalent to RMB13,961,000 (before issue expenses).

As at 31 December 2014, the Company had 17,350,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 2.2% of the Company's shares in issue at that date.

Share Option Scheme

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

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

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

(a) the nominal value of a Share;

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

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

34. SHARE OPTION SCHEME *(continued)*

Share Option Scheme *(continued)*

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

There was no grant, exercise, lapse, or cancellation of share options under the Share Option Scheme during the year. There was no outstanding share option under the Share Option Scheme as at the end of the reporting period (2013: Nil).

35. RESERVES

(a) Group

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

Statutory reserve funds

Statutory reserve funds comprise:

Reserve fund

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

Enterprise expansion fund

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

Statutory surplus reserve

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

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

35. RESERVES *(continued)*

(b) Company

	Share premium RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 31 December 2012 and 1 January 2013	99,866	5,875	(34,618)	71,123
Equity-settled share option arrangements	—	2,552	—	2,552
Loss for the year	—	—	(6,011)	(6,011)
Proposed final 2013 dividend	(15,842)	—	—	(15,842)
At 31 December 2013 and 1 January 2014	84,024	8,427	(40,629)	51,822
Equity-settled share option arrangements	—	1,044	—	1,044
Loss for the year	—	—	(6,037)	(6,037)
Proposed final 2014 dividend	—	—	—	—
At 31 December 2014	84,024	9,471	(46,666)	46,829

36. OPERATING LEASE ARRANGEMENTS

Group as lessee

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

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

	2014 RMB'000	2013 RMB'000
Within one year	**5,526**	4,707
After one year but not more than five years	**1,651**	2,580
	7,177	7,287

36. OPERATING LEASE ARRANGEMENTS *(continued)*

Group as lessor

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

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

	2014 RMB'000	2013 RMB'000
Within one year	**8,053**	8,407
In the second to fifth years, inclusive	**4,698**	12,751
	12,751	21,158

37. COMMITMENTS

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

	2014 RMB'000	2013 RMB'000
Contracted, but not provided for in respect of the acquisition of:		
Property, plant and equipment	**511,631**	559,177

38. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

Name of related party	**Relationship with the Group**
Mr. Zhou	Ultimate controlling shareholder
Mr. Zhou Cimei	Father of Mr. Zhou
Ms. Lai Cairong	Mother of Mr. Zhou
Ms. Chen Chun'er	Spouse of Mr. Zhou
Ms. Lai Danfen	Cousin of Mr. Zhou
Mr. Zhou Xiaofeng	Brother of Mr. Zhou

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38. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(a) Name and relationship *(continued)*

Name of related party	Relationship with the Group
Huaxiang Group	Collectively controlled by Mr. Zhou Cimei and Ms. Lai Cairong
Ningbo Huaxiang Electronics Co., Ltd. ("Ningbo Huaxiang Electronics")	Significantly influenced by Mr. Zhou Xiaofeng
Ningbo Huayou Properties	Controlled by Mr. Zhou
Huayou Holdings Company Ltd. ("Huayou Holdings")	Controlling shareholder of the Company
寧波華翔汽車飾件有限公司 ("Huaxiang Trim")	Controlled by Ningbo Huaxiang Electronics
寧波瑪克特汽車飾件有限公司 ("Ningbo Makete")	Controlled by Ningbo Huaxiang Electronics
Chengdu Huaxiang Auto Parts Co., Ltd. ("Chengdu Huaxiang")	Controlled by Ningbo Huaxiang Electronics
寧波華英模具科技發展有限公司 ("Huaying Moulding")	Controlled by Ningbo Huayou Properties
成都安通林華翔汽車內飾件有限公司 ("Chengdu Antolin Huaxiang")	Joint Venture of Ningbo Huaxiang Electronics
寧波華翔汽車銷售服務有限公司 ("Huaxiang Sales Co.")	Controlled by Huaxiang Group
南昌江鈴華翔汽車零部件有限公司 ("Nanchang Jiangling")	Joint venture of Ningbo Huaxiang Electronics
Ningbo Hualete	Joint venture of the Group
象山華翔國際酒店有限公司 ("Huaxiang Resort")	Collectively controlled by Mr. Zhou Cimei and Ms. Lai Cairong
Changchun Huayou	Controlled by Mr. Zhou

38. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(a) Name and relationship *(continued)*

Name of related party	Relationship with the Group
Ningbo City Huaxiang Technology Co., Ltd. ("Huaxiang Technology") [&]	Controlled by Ningbo Huayou Properties before 18 February 2014
Guangzhou Chengli Industrial Co., Ltd. ("Guangzhou Chengli")	Controlled by Mr. Zhou
Ningbo Huayue Automotive Co., Ltd. ("Ningbo Huayue")	Controlled by Ms. Lai Danfen
Changchun Huaxiang Faurecia	Joint venture of the Group
Shanghai Baodegu	An associate of the Group
寧波華翔進出口有限公司 ("Huaxiang Export")	Significantly influenced by Huaxiang Group
寧波市科技園華鼎新材料有限公司 ("Ningbo Huading") *	Significantly influenced by Mr. Zhou
寧波華翔信息技術有限公司 ("Huaxiang Information Technology")	Controlled by Huaxiang Group

* An agreement to dispose of 48% of the equity interest held by Mr. Zhou in Ningo Huading to a third party was entered into in August 2013. The share transfer registration with the local authority was completed in February 2014.

& Ningbo Huayou Properties disposed of 100% of the equity interest in Huaxiang Technology to a third party in February 2014 and the share transfer registration with local authority was completed in the same month.

38. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(b) Related party transactions

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

	Notes	2014 RMB'000	2013 RMB'000
Sales of goods to related parties	(i)		
Changchun Huaxiang Faurecia		**1,440**	157
Shanghai Baodegu		**699**	1,927
Chengdu Antolin Huaxiang		**75**	—
Huaxiang Information Technology		**—**	1,790
Chengdu Huaxiang		**—**	15
		2,139	3,889
Purchases of goods and services from related parties	(ii)		
Changchun Huaxiang Faurecia		**143,244**	148,539
Nanchang Jiangling		**2,413**	3,983
Huaxiang Export		**1,805**	—
Huaxiang Resort$^{\Delta}$		**1,392**	1,518
Ningbo Hualete		**565**	—
Huaxiang Trim		**241**	804
Huaxiang Sales Co.$^{\Delta}$		**127**	15
Huaxiang Technology$^{\Delta\&}$		**234**	1,142
Ningbo Makete		**—**	445
Chengdu Huaxiang		**—**	186
		150,021	156,632
Sales of raw materials to a related party	(i)		
Changchun Huaxiang Faurecia		**88,757**	89,965
Purchases of raw materials from related parties	(ii)		
Ningbo Hualete		**60,422**	71,611
Shanghai Baodegu		**929**	4,936
		61,351	76,547
Gross rental income from related parties	(iii)		
Changchun Huaxiang Faurecia		**8,706**	8,196
Ningbo Hualete		**1,021**	1,019
Chengdu Huaxiang		**—**	479
		9,727	9,694
Rental expenses charged by related parties	(iii)		
Guangzhou Chengli$^{\Delta}$		**1,038**	520
Huaying Moulding$^{\Delta}$		**532**	—
		1,570	520

38. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(b) Related party transactions *(continued)*

	Notes	2014 RMB'000	2013 RMB'000
Management fee income from a related party	(iv)		
Changchun Huaxiang Faurecia		—	3,500
Purchase of office buildings from a related party	(v)		
Ningbo Huayou Properties$^{\Delta}$		**29,269**	41,000
Prepayment to a related party for acquiring office buildings			
Changchun Huayou$^{\Delta}$		**10,281**	—
Advances to the ultimate controlling shareholder	(vi)		
Mr. Zhou$^{\Delta}$		—	750
Recovery of advances to the ultimate controlling shareholder			
Mr.Zhou$^{\Delta}$		**430**	30,483
Advances to related parties	(vi)		
Ningbo Hualete		**91,000**	—
Ningbo Huayue$^{\Delta}$		—	50,750
Ningbo Huading*		—	45,000
Changchun Huayou$^{\Delta}$		—	5,200
Guangzhou Chengli$^{\Delta}$		—	20
		91,000	100,970
Recovery of advances to related parties			
Ningbo Hualete		**91,000**	—
Ningbo Huayue$^{\Delta}$		—	52,870
Ningbo Huading*		—	45,000
Ningbo Huayou Properties$^{\Delta}$		—	8,050
Changchun Huayou$^{\Delta}$		—	5,787
Ningbo Huaxiang Electronics		—	126
		91,000	111,833
Repayment of advances from the ultimate controlling shareholder			
Mr. Zhou$^{\Delta}$		—	398
Advances from related parties	(vi)		
Ningbo Huayue$^{\Delta}$		—	27,700
Ningbo Hualete		—	22,500
		—	50,200

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38. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(b) Related party transactions *(continued)*

	2014 RMB'000	2013 RMB'000
Repayment of advances from related parties		
Ningbo Hualete	—	58,000
Ningbo Huayue$^{\Delta}$	—	30,000
Shanghai Baodegu	—	502
	—	88,502

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

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

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

Note (iv): Management fee income from a related party was received according to the terms and conditions agreed between the related parties.

Note (v): Purchase of office buildings from related parties was made according to the terms and conditions agreed between the related parties.

Note (vi): Advances from/to the ultimate controlling shareholder and related parties are interest-free and repayable on demand.

(c) Other transactions with related parties

(i) During the year ended 31 December 2014, the Group provided guarantees to Ningbo Hualete for its banking facilities amounting to RMB4,991,000 as at 31 December 2014 (2013: RMB8,154,000).

(ii) During the year ended 31 December 2014, the Group received guarantees from Mr. Zhou and Ms. Chen Chun'er for the Group's bank facilities amounting to RMB300,000,000 as at 31 December 2014 (2013: Nil), among which RMB27,000,000 was utilised by the Group as at 31 December 2014 (2013: Nil).

The related party transactions with Ningbo Huading in respect of items denoted with "*" above incurred after the date of the agreement signed by Mr. Zhou with a third party to dispose of his 48% of equity interest in Ningbo Huading.

The related party transactions with Huaxiang Technology in respect of items denoted with "&" incurred before Ningbo Huayou Properties disposed of 100% of equity interest in Huaxiang Technology to a third party.

The related party transactions in 2014 in respect of items denoted with "Δ" and items disclosed in (c)(ii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

38. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(d) Outstanding balances with related parties

GROUP

	2014 RMB'000	2013 RMB'000
Amount due from the ultimate controlling shareholder		
Mr. Zhou	—	430
Amounts due from related parties		
Changchun Huaxiang Faurecia	14,626	4,937
Ningbo Hualete	12,300	—
Chengdu Antolin Huaxiang	75	—
Guangzhou Chengli	—	1,604
Chengdu Huaxiang	—	89
Huayou Holdings	—	86
Huaxiang Technology	—	85
Huaxiang Export	—	7
	27,001	6,808
Amount due to the ultimate controlling shareholder		
Mr. Zhou	871	289
Amounts due to related parties		
Ningbo Hualete	54,382	25,715
Changchun Huaxiang Faurecia	22,209	9,670
Guangzhou Chengli	1,038	—
Shanghai Baodegu	579	2,768
Huaying Moulding	532	—
Nanchang Jiangling	519	1,602
Huaxiang Resort	175	479
Huaxiang Trim	75	2
Huaxiang Export	26	—
Ningbo Huayou Properties	—	795
Ningbo Makete	—	50
	79,535	41,081

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

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31 December 2014

38. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(d) Outstanding balances with related parties *(continued)*

COMPANY

	2014 **RMB'000**	2013 RMB'000
Amount due from a shareholder		
Huayou Holdings	—	62
Amounts due from subsidiaries		
Ningbo Huazhong Plastic	**24,241**	27,000
Huayou Investment	**20,028**	45,021
HZ FBZ	**1,931**	1,931
Huazhong Investment	**14**	14
	46,214	73,966
Amounts due to subsidiaries		
Ningbo Huazhong Plastic	—	717

The amounts due from/to a shareholder and subsidiaries are unsecured, interest-free and repayable on demand.

(e) Compensation of key management personnel of the Group

	2014 **RMB'000**	2013 RMB'000
Short term employee benefits	**3,086**	3,318
Post-employment benefits	**51**	26
Equity-settled share option expense	**436**	994
Total compensation paid to key management personnel	**3,573**	4,338

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

39. FINANCIAL INSTRUMENTS BY CATEGORY

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

(a) Group

Financial assets

As at 31 December 2014	Loans and receivables RMB'000
Trade and notes receivables	470,008
Financial assets included in prepayments and other receivables (Note 25)	25,114
Due from the ultimate controlling shareholder	—
Due from related parties	27,001
Pledged deposits	114,246
Cash and cash equivalents	197,525
	833,894

As at 31 December 2013	Loans and receivables RMB'000
Trade and notes receivables	370,913
Financial assets included in prepayments and other receivables (Note 25)	27,946
Due from the ultimate controlling shareholder	430
Due from related parties	6,808
Pledged deposits	128,554
Cash and cash equivalents	240,659
	775,310

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39. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

(a) Group *(continued)*

Financial liabilities

As at 31 December 2014	**Financial liabilities at amortised cost RMB'000**
Financial liabilities included in other payables, advances from customers and accruals (Note 29)	**106,821**
Trade and notes payables	**499,499**
Interest-bearing bank borrowings	**673,431**
Due to the ultimate controlling shareholder	**871**
Due to related parties	**79,535**
	1,360,157

As at 31 December 2013	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables, advances from customers and accruals (Note 29)	108,145
Trade and notes payables	450,796
Interest-bearing bank borrowings	636,759
Due to the ultimate controlling shareholder	289
Due to related parties	41,081
	1,237,070

(b) Company

Financial assets

As at 31 December 2014	**Loans and receivables RMB'000**
Financial assets included in prepayments and other receivables (Note 25)	**91**
Due from subsidiaries	**46,214**
Cash and cash equivalents	**8,165**
	54,470

39. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

(b) Company *(continued)*

Financial assets *(continued)*

As at 31 December 2013	Loans and receivables RMB'000
Financial assets included in prepayments and other receivables (Note 25)	87
Due from a shareholder	62
Due from subsidiaries	73,966
Cash and cash equivalents	2,036
	76,151

Financial liabilities

As at 31 December 2014	**Financial liabilities at amortised cost RMB'000**
Financial liabilities included in other payables, advances from customers and accruals (Note 29)	**983**
	983

As at 31 December 2013	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables, advances from customers and accruals (Note 29)	479
Due to subsidiaries	717
	1,196

40. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 31 December 2014, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB1,000,000 (2013: RMB3,600,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB1,000,000 (2013: RMB3,600,000) as at 31 December 2014.

Transferred financial assets that are derecognised in their entirety

At 31 December 2014, endorsed certain bills receivable accepted by banks in the Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB22,540,000 (2013: RMB7,651,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2014, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The interest rate and terms of repayment of borrowings are disclosed in Note 30.

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

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

	Increase/ (decrease) in basis points	Effect on profit before tax RMB'000
Year ended 31 December 2014		
RMB	**100**	**(510)**
RMB	**(100)**	**510**
Year ended 31 December 2013		
RMB	100	(370)
RMB	(100)	370

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

Credit risk

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

The credit risk of the Group's other financial assets, which comprise cash and bank balances, trade and other receivables, pledged deposits, amounts due from the ultimate controlling shareholder and related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 43 to the financial statements. As at the end of the reporting period, except for the trade and notes receivables, there was no significant concentration of credit risk within the Group. The trade and notes receivables arising from the five largest customers accounted for 55% (2013: 53%) of the total trade and notes receivables as at 31 December 2014.

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

Liquidity risk

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

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

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

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
31 December 2014					
Interest-bearing bank borrowings	—	91,936	489,822	123,440	705,198
Trade and notes payables	71,421	315,322	112,587	169	499,499
Other payables (Note 29)	106,821	—	—	—	106,821
Amount due to the ultimate controlling shareholder	871	—	—	—	871
Amounts due to related parties	79,535	—	—	—	79,535
	258,648	407,258	602,409	123,609	1,391,924

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
31 December 2013					
Interest-bearing bank borrowings	—	79,606	495,894	89,876	665,376
Trade and notes payables	17,641	335,993	97,162	—	450,796
Other payables (Note 29)	108,145	—	—	—	108,145
Amount due to the ultimate controlling shareholder	289	—	—	—	289
Amounts due to related parties	5,696	35,385	—	—	41,081
	131,771	450,984	593,056	89,876	1,265,687

Capital management

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

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

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

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

	2014 RMB'000	2013 RMB'000
Trade and notes payables	**499,499**	450,796
Other payables and accruals	**145,774**	112,556
Interest-bearing bank borrowings	**673,431**	636,759
Amount due to the ultimate controlling shareholder	**871**	289
Amounts due to related parties	**79,535**	41,081
Less: Cash and cash equivalents	**(197,525)**	(240,659)
Net debt	**1,201,585**	1,000,822
Equity attributable to owners of the parent	**508,110**	439,625
Capital and net debt	**1,709,695**	1,440,447
Gearing ratio	**70%**	69%

42. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2014, the group entered into an office purchase agreement with Changchun Huayou, a related party of the Group, at a consideration of RMB10,281,000. The consideration was partly offset by the Group's prepayment to a third party of RMB3,634,000 in accordance with an agreement entered into among respective parties.

(ii) During the year ended 31 December 2014, the Group offset its amounts due from Guangzhou Chengli, a related party of the Group, against amounts due to Huayou Holdings, the holding company of the Company, of RMB1,604,000 in accordance with an agreement entered into among respective parties.

43. CONTINGENT LIABILITIES

The Group has issued guarantees to banks in respect of the banking facilities granted to the following parties:

	2014 RMB'000	2013 RMB'000
Ningbo Hualete (Note 38(c)(i))	**4,991**	8,154

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2015.

FINANCIAL SUMMARY

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

	Year ended 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
RESULTS					
REVENUE	**1,683,204**	1,470,893	1,155,893	1,168,886	1,006,908
Cost of sales	**(1,278,993)**	(1,123,488)	(914,320)	(875,784)	(748,663)
Gross profit	**404,211**	347,405	241,573	293,102	258,245
Other income and gains	**12,485**	16,840	18,844	70,692	9,993
Gain on bargain purchase	**—**	—	14,756	9,766	21,560-
Selling and distribution costs	**(93,873)**	(99,087)	(94,208)	(83,529)	(75,622)
Administrative expenses	**(159,755)**	(142,562)	(133,610)	(105,721)	(51,133)
Other expenses	**(4,298)**	(6,218)	(7,774)	(3,456)	(5,346)
Finance income	**7,659**	7,037	6,535	16,398	9,585
Finance costs	**(44,683)**	(48,238)	(47,785)	(44,971)	(34,266)
Share of profits and losses of:					
Joint ventures	**(1,703)**	7,434	15,967	(1,529)	9,054
An associate	**(295)**	245	441	425	(422)
PROFIT BEFORE TAX	**119,748**	82,856	14,739	151,177	141,648
Income tax expense	**(28,526)**	(30,758)	(8,864)	(38,252)	(35,275)
PROFIT FOR THE YEAR	**91,222**	52,098	5,875	112,925	106,373
Attributable to:					
Owners of the parent	**86,583**	47,620	1,969	110,168	105,839
Non-controlling interests	**4,639**	4,478	3,906	2,757	534
	91,222	52,098	5,875	112,925	106,373

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
TOTAL ASSETS	**2,022,979**	1,809,195	1,853,533	1,502,392	1,544,540
TOTAL LIABILITIES	**(1,485,957)**	(1,342,847)	(1,433,866)	(1,246,196)	(1,264,703)
NON-CONTROLLING INTERESTS	**(28,912)**	(26,723)	(24,205)	(23,974)	(4,029)
	508,110	439,625	395,462	232,222	275,808

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Zhou Minfeng *(Chairman)*
Mr. Chang Jingzhou

Non-executive Directors

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

Independent non-executive Directors

Mr. Yu Shuli
Mr. Tian Yushi
Mr. Xu Jiali

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Joint Company Secretaries

Mr. Zhang Senquan
Ms. Ho Wing Yan ACIS, ACS(PE)

Authorised Representative

Mr. Zhou Minfeng
Mr. Zhang Senquan

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters in China

No. 104 Zhenan Road
Xizhou Town
Xiangshan County
Zhejiang Province
China

Principal Place of Business in Hong Kong

Room 1704, 17/F., Tai Yau Building
181 Johnston Road
Wanchai
Hong Kong

Principal Bankers

Bank of China
Agricultural Bank of China

Legal Adviser as to Hong Kong Law

Orrick, Herrington & Sutcliffe

Auditors

Ernst & Young

Share Registrars

Principal Share Registrar and Transfer Office in the Cayman Islands

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Listing Exchange Information

The Stock Exchange of Hong Kong Limited
Main Board

Stock Code

6830

Company Website

www.cn-huazhong.com