2014 Annual Report

JINHENG AUTOMOTIVE SAFETY TECHNOLOGY HOLDINGS LIMITED

錦恆汽車安全技術控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 872)

JIN HENG

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Feng, *Chairman*
Mr. Xing Zhanwu, *Chief Executive Officer*
Ms. Ng Sau Lin
Mr. Wong Ka Ching
Mr. Lam Wai Hung

Independent Non-Executive Directors

Mr. Hui Hung Kwan
Mr. Wong Yuk Lun, Alan
Mr. Lim Chi Kit

COMPANY SECRETARY

Mr. Lau Chi Yuen

AUTHORISED REPRESENTATIVES

Mr. Li Feng
Mr. Lau Chi Yuen

AUDIT COMMITTEE

Mr. Hui Hung Kwan
Mr. Wong Yuk Lun, Alan
Mr. Lim Chi Kit

NOMINATION COMMITTEE

Mr. Hui Hung Kwan
Mr. Xing Zhanwu
Mr. Wong Yuk Lun, Alan
Mr. Lim Chi Kit

REMUNERATION COMMITTEE

Mr. Xing Zhanwu
Mr. Wong Yuk Lun, Alan
Mr. Lim Chi Kit

REGISTERED OFFICE

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

WEB SITE OF THE COMPANY

www.jinhengholdings.com

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

Unit 2, Building 38
No. 2 Jing Yuan North Street
Beijing Economic Technological Development Area
Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 903, 9/F.,
Wings Building,
110-116 Queen's Road Central,
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4/F, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KYI-1110
Cayman Islands

PRINCIPAL BANKERS

The Bank of East Asia

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

LEGAL ADVISER

As to Cayman Island Law:
Conyers Dill & Pearman, Cayman
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

STOCK QUOTE

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CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the Board of Directors ("the Board" or "Directors"), I am pleased to present the audited financial results of Jinheng Automotive Safety Technology Holdings Limited ("the Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2014.

BUSINESS REVIEW

In the year of 2014, the Group was in search of a new business direction of maintaining the core business of the Group as well as exploring new business opportunities for business and risk diversification. The Group had demonstrated its determination to reach this objective by strengthening the leadership of the Company during the second half of 2014 with the joining of new directors and management who are experienced in different areas such as financial management and with vast business connections which can help the Group look for new business opportunities and add value to the Company which enables the Group to develop sustainably.

Reforming on Business Structure

The Group, having an aim of allocating resources more efficiently, had disposed (i) the entire equity interest of the direct wholly-owned subsidiary, Jinheng Automotive Electronic (BVI) Limited in May 2014 and (ii) 80% equity interest in Tianjian Troitec Automotive Electronics Co., Ltd. in December 2014 (collectively "Disposals"). The Directors had also considered various ways of raising funds for the new business opportunities. During the year under review, the Company had placed in aggregate of 225,102,000 new ordinary shares under general mandate to individual third parties in order to raise capital for the Group while broadening its shareholders and capital base.

Having a solid capital base, the Company was able to give a kick start in the potential businesses of investment and trading of premium cars (including classic cars) business and investment in PRC property market. In December 2014, a wholly-owned subsidiary of the Company signed a memorandum of understanding regarding acquisition of 18% of More Cash Limited, which allowed the Group to tap into the property investment business in the PRC ("Possible Acquisition"). Details of the Possible Acquisition are set out in the announcement dated 19 December 2014. The management and the board of Directors of the Company (the "Board") are confident that this Possible Acquisition would be beneficial for the Company to maintain a cordial relationship with the local PRC business partner who possesses valuable business network and knowledge in the PRC property industry. The Board believes that this would be a beacon guiding the Company towards the right path in this new industry. The Group has eventually signed the sale and purchase agreement in relation to the Possible Acquisition in March 2015.

Meanwhile, with the vision to step into the new business in trading and investment in premium and classic cars, the Company had set up a professional team possessing with vast business network and knowledge on premium cars. Our team had been searching extensively in Hong Kong and Europe for the premium and classic cars with high potential in late 2014. Thanks to the hard work of our professional team, the Company was able to discover an opportunity to equip itself for the business in October 2014. The Company had signed a memorandum of understanding regarding the potential acquisition of 18 vehicles. After the investigation and due diligence review by our professional team and other external experts, the Company had selected the best vehicles and had eventually signed sale and purchase agreements with three independent third parties acquiring 20 premium vehicles in February 2015.

CHAIRMAN'S STATEMENT

OUTLOOK AND FUTURE PROSPECTS

In the reporting year of 2014, the Company was refueling itself at the roundabout, preparing itself to an expressway for healthy and successful development of the Company. The Board and the management of the Company have been searching business models that will help the Company develop sustainably according to the market conditions and business environment. The management decided to dispose the business sectors with less potential so that the Company can have more resources to the remaining businesses and some new businesses.

After the Disposal, the management is discussing about the possibility of refining the manufacturing business of the Group by sub-contracting the manufacturing process with the support of our technology and patent, so as to minimise the fixed expenses as well as lessen the financial pressure of the Company.

With the leadership of our strong executive and management teamed up in 2014, the Company has been steered to a road of new businesses including investment and trading of premium cars (including classic cars) and properties in the PRC. Subsequent to the reporting year of 2014, the Company had continued the direction as paved in late 2014 and equipping the Company with suitable engines will be the next step for the Company to speed along the road of new businesses. To start up the engine, the Company had acquired 20 premium cars in February 2015. These premium vehicles comprise classic and/or premium cars manufactured in the 1930s to 2000s by famous brand such as AC, Aston Martin, Facel Vega, Ferrari, Iso, Lamborghini, Maserati, Rolls Royce, Talbot Lago and Volvo. In view of the continuous economic growth and the accumulation of wealth in the PRC, it is estimated that there will be a substantial increase in the number of billionaires and increasing demand in luxury products in the PRC. Moreover, in recent years, premium cars has emerged as one of the most widespread luxury investment categories in Asia and has recorded rapid growth in value. The Board is of the view that the segment of investment and trading of premium cars will bring benefits to the Company.

Apart from the above, for sustainable development of the Company, the Board of Directors has also an aim to diversify the business and risk of the Company. The Board of Directors had acquired 18% of the equity interests in More Cash Limited in March 2015. With this acquisition, not only is the Company able to step into the property investment market in the PRC, more importantly, it lays a long term relationship with the business partner in the PRC which creates a competitive advantage for the Company.

Meanwhile, the Board had also participated in various investment projects.

In the meantime of seeking potential investment opportunities, the Board also regards maintaining the existing resources of the Company as an essential issue. The Company will also make use of the Company's resources in an effective and efficient manner so as to maximise benefits to the Company (including but not limited to earning dividend and interest income).

The Board and the management of the Company will continue this strategy of refining the existing business with potentials while exploring for new business opportunities. The Company will keep pace with the market condition and refine the business direction of the Company accordingly.

OUTLOOK AND FUTURE PROSPECTS *(continued)*

Being cautious and planning ahead is a key to safe and smooth journey along the road. 2014 was a year for the Company to plan and equip itself for its new road. The planning and preparation done may not reflect fully in the performance in 2014 though, with the planning in 2014, the Board is confident that the Company is moving towards a sustainable road. The Board will closely monitor and review the performance of the businesses of the Company and make suitable fine tuning as appropriate. Meanwhile, the Board will continue to try their best to seek for any good opportunities for new business investment or development. The Board is confident that the Company will blossom and bear the fruits of better financial performance for the efforts in the future years.

APPRECIATION

On behalf of the Board of Directors, I would like to express my most sincere gratitude towards the continual support from our shareholders and the valuable contributions of our staffs. The management team will further continue to fulfill our duties to create more values for our shareholders.

Li Feng
Chairman

Hong Kong, 31 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

During the year ended 31 December 2014, the turnover amount and the average gross profit margin of the Group were approximately HK$184.9 million and approximately 5.7% respectively, while it was approximately HK$199.8 million and approximately 9.0% respectively in last year. The changes were mainly due to the production inefficiency of the Tianjian plant since it did not reach the optimum utilisation capacity.

During the current reporting period, the research and development expenses of the Group were approximately HK$56.1 million, which maintained at a similar level as those in 2013. Apart from stepping into different new business areas, the Group will continue to put resources in the automotive spare parts. The Group is undergoing certain research and development projects of new models and product enhancement, especially the automotive engine management system (EMS). In order to reduce the fixed cost, the Group has shifted the production model to outsourcing the production processes to other manufactures.

In 2014, the administrative expenses of the Group were approximately HK$70.8 million, which was increased by approximately HK$12.8 million as compared with 2013. The increment is mainly due to the expenses in relation to the written-off of certain long-aged receivables. Also the Group has allocated more resources for exploring new business opportunities.

The finance costs during the current year under review were decreased by approximately 6.1% to approximately HK$3.8 million as compared to 2013. During 2014, the Group has changed the financing strategy from bank loans to placing of new shares, which may not only reduce the finance costs, but can also broaden the shareholders and capital base.

For the year ended 31 December 2014, the Group recorded approximately HK$96.1 million loss for the year attributable to owners of the Company, while it was of approximately HK$62.8 million in last year. The increment was mainly due to the increment of administrative expenses and reduction of gross profit as discussed above.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY

As at 31 December 2014, the Group had cash and cash equivalents of approximately HK$105.3 million (2013: approximately HK$41.0 million) and net current assets of approximately HK$381.4 million, which increased by approximately HK$160.2 million as compared with the last fiscal year. The change was mainly due to the increment of bank and cash balances as a result of the placing of new shares completed in the second half of 2014. The total non-current assets of the Group were approximately HK$132.2 million in 2014, while it was approximately HK$375.5 million in the last year. The decrease was mainly due to the disposal of certain subsidiaries during 2014.

As at 31 December 2014, the Group had non-current liabilities of approximately HK$16.5 million, which represented the deferred tax liabilities.

The Group also had short-term bank loans of approximately HK$17.5 million which included a bank loan with a principal amount of approximately HK$12.5 million with fixed interest rate of 6.0%, and discounted bills of approximately HK$5.0 million (equivalent to approximately RMB4.0 million) which were not yet matured at the year end date. The short-term bank loans were primarily used to finance short-term cash flows for our operations.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING AND TREASURY POLICY *(continued)*

The Group intends to principally finance its operations and investing activities with its operating revenue, internal resources and bank facilities. The directors of the Company believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement. The Group adopts a treasury policy which allows the Group to invest its surplus funds in different investment grade debt securities or other investment vehicles.

Most of the trading transactions, assets and liabilities of the Group were denominated in Renminbi, Hong Kong dollars, US dollars or, to a lesser extent, Euro. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risks. As at 31 December 2014, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

CHARGE ON GROUP ASSETS

As at 31 December 2014, the Group has pledged certain leasehold land and buildings of approximately HK$27.1 million, and certain discounted bills with recourse totaling approximately HK$5.0 million were secured by the related bills receivable and were repayable within one year.

GEARING RATIO

The Group's gearing ratio, which was derived from the total liabilities to total assets, decreased to 11.9% in 2014 from 21.1% in 2013.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Except for those set out in the "Subsequent Events" in this report, the Group does not have other authorised but not contracted for capital expenditure commitments as at 31 December 2014.

MATERIAL ACQUISITIONS AND DISPOSALS

In May 2014, the Group had entered into an agreement to dispose the entire equity interests of Jinheng Automotive Electronic (BVI) Limited at a consideration of HK$30 million. The transaction was completed in September 2014.

In December 2014, the Group had entered into an agreement to dispose 80% equity interests in Tianjian Troitec Automotive Electronics Co., Ltd. at a consideration of RMB24 million (equivalent to approximately HK$30 million). The transaction was completed in December 2014.

SIGNIFICANT INVESTMENT

There was no other significant investment during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

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

SUBSEQUENT EVENTS

On 28 January 2015, the Company had granted a total of 44,000,000 share options to certain Directors and staff of the Company. Details of which are set out in the announcement dated 28 January 2015.

On 16 February 2015, the Group had acquired 20 premium cars (including classic cars) at a total consideration of HK$65 million for the new business of investment and trading of premium and classic cars. Details of which are set out in the announcement dated 16 February 2015.

On 13 March 2015, the Group had acquired 18% equity interests in More Cash Limited at a consideration of HK$73 million, in order for the Group to tap into the property market in the PRC. Details of which are set out in the announcements dated 13 March 2015 and 16 March 2015.

On 25 March 2015, the Group had entered into an agreement to acquire 5% equity interests in Grand Vision Communications Limited, which is engaged in the operation of advertising business, at a consideration of HK$5.5 million.

Saved as disclosed above, there are no subsequent events occurred after 31 December 2014, which may have a significant effect, on the assets and liabilities of future operations of the Group.

FOREIGN EXCHANGE EXPOSURE

Since almost all transactions of the Group are denominated either in Renminbi, Hong Kong dollars, US dollars, or to a lesser extent, Euro and the exchange rates of such currencies were stable over the years under review, the Directors believe that such exposure does not have any significant adverse effect to the Group. Therefore, the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group employed approximately 286 staff in the PRC and Hong Kong, representing a decrease of 225 staff from 31 December 2013. The decrease in staff was mainly from the PRC operations. The Group's remuneration to employees, including directors' emoluments decreased by approximately HK$1.3 million to approximately HK$27.4 million for the current fiscal year.

The Group reviews employee remuneration from time to time and salary increment is normally approved annually or by special adjustment depending on length of services and performance when warranted. In addition to salaries, the Group provides employee benefits including medical insurance and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

RETIREMENT SCHEMES

The Group maintains a mandatory provident fund (the "MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Shenyang, Shanxi, Beijing and Tianjian, the PRC whereby the Group is required to make contributions to the Schemes at the rate of 20% of the eligible employees' salaries.

CAPITAL STRUCTURE

The Company was listed on Growth Enterprises Market ("GEM") of the Stock Exchange on 9 December 2004 through offering a total of 95,970,000 shares, in which 86,372,000 shares were placing shares and a public offering of 9,598,000 new shares. The 86,372,000 placing shares comprised 71,402,000 new shares and 14,970,000 sale shares. The net proceeds from this offering, after deduction for relevant expenses, is approximately HK$80.5 million. On 12 November 2008, the Company withdrew the listing of its shares on GEM and listed its entire issued share capital by way of transfer on the Main Board of the Stock Exchange.

On 29 March 2006, 4,560,000 share options were exercised to subscribe for 4,560,000 ordinary shares of the Company at a consideration of approximately HK$1.7 million. On 15 January 2007, 4,560,000 share options were exercised to subscribe for 4,560,000 ordinary shares in the Company at a consideration of approximately HK$1.7 million. On 16 January 2008, 2,280,000 share options were exercised to subscribe for 2,280,000 ordinary shares, in the Company at a consideration of approximately HK$0.9 million. On 10 September 2008, 400,000 share options were exercised to subscribe for 400,000 ordinary shares in the Company at a consideration of approximately HK$0.4 million. On 23 July 2010, 37,300,000 share options were exercised to subscribe for 37,300,000 ordinary shares in the Company at a consideration of approximately HK$42.4 million.

On 7 August 2007, 40,000,000 ordinary shares of the Company were issued pursuant to the top-up placing of shares to not fewer than six independent third parties by the Company. On 18 February 2008, 10,700,000 ordinary shares of the Company were issued as the consideration for the acquisition of Winner Investment Limited.

On 12 March 2010, the Company has issued 13,888,888 shares to a convertible note holder as a result of the exercise of the conversion right of convertible note with nominal value HK$12,500,000. On 14 June 2010, the Company has issued 19,160,000 shares to convertible note holders as a result of the exercise of the conversion right of convertible notes with nominal value of HK$17,244,000.

During the year ended 31 December 2013, the Company has purchased a total of 1,354,000 ordinary shares of the Company on the Stock Exchange at an aggregate cash consideration of HK$501,550 with the highest and lowest price paid per Share being HK$0.40 and HK$0.345 respectively. The Shares were repurchased on the market pursuant to the repurchase mandate granted by the shareholders at the annual general meeting of the Company held on 18 June 2012, with a view that it would enhance shareholders' value in the long term. With the aggregation of 776,000 ordinary shares repurchased at the end of 2012 and 1,354,000 ordinary shares repurchased at the first half of 2013, the Company cancelled 2,130,000 ordinary shares on 23 May 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE *(continued)*

On 9 July 2014, there was a placing of 102,300,000 shares to not fewer than six independent third parties by the Company. The net proceeds from this placing of shares, after deduction for relevant expenses, is approximately HK$36 million. Details of this placing of 102,300,000 shares are set out in the announcements dated 24 June 2014 and 9 July 2014.

On 14 October 2014, there was a placing of 122,802,000 shares to not fewer than six independent third parties by the Company. The net proceeds from this placing of shares, after deduction for relevant expenses, is approximately HK$51.9 million. Details of this placing of 122,802,000 shares are set out in the announcement dated 26 September 2014 and 14 October 2014.

As at 31 December 2014, the number of total issued share capital of the Company were 736,820,888 shares.

COMPETING INTEREST

None of the directors or the management shareholders of the Company (as defined in the Rules Governing the Listing of Securities (the “Listing Rules”)) had an interest in a business which competes or may compete with the business of the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Feng, aged 53, is the chairman of the Company. Mr. Li, joined the Group in 1997 and is responsible for the overall general management of the Group. Mr. Li graduated from the Beijing University of Aeronautics and Astronautics in 1983 with a bachelor's degree in missile designing. From 1983 to 1996, Mr. Li was employed at Taiyuan Aero-Instruments Co., Ltd. ("Taiyuan Aero") as engineer. Mr. Li was entitled to an annual remuneration of HK$840,000.

Mr. Xing Zhanwu, aged 51, is the chief executive officer of the Company. Mr. Xing joined the Group in 1997 and is responsible for the Group's sales and marketing as well as the Group's overall business development. Mr. Xing graduated from Northwestern Polytechnical University with a bachelor's degree in machinery manufacture engineering in 1984. From July 1984 to August 1996, Mr. Xing had worked at Taiyuan Aero as engineer. In January 1997, Mr. Xing joined the Group as general manager and led the Group to succeed in two pioneering airbag system development projects with FAW Car Company Limited ("FAW") and Dongtong Peugeot Citro'n. Mr. Xing was entitled to an annual remuneration of HK$840,000.

Mr. Wong Ka Ching, aged 40, received his Bachelors' degree in Business Administration (with concentration in Finance) from the Chinese University of Hong Kong and Masters in Finance degree from London Business School, a postgraduate school of London University. Mr. Wong has a wealth of experience in corporate finance and private equity. Throughout his career, he held various positions at reputable multinational financial institutions and was responsible for fundraising and deal sourcing in Asia including China. Mr. Wong was entitled to an annual remuneration of HK$360,000.

Ms. Ng Sau Lin, aged 66, graduated from Xiamen University in China with a bachelor's degree in finance and accounting. Ms. Ng had been a director of subsidiaries of China Strategic Holdings Limited (stock code: 235), a company listed on the Main Board of the Stock Exchange, and was responsible for analysing the operation and financial scopes for the parent company. Ms. Ng had been taking part in accounting and financial management in the mainland and in Hong Kong, with over 20 years of experience in commercial, accounting and financial management. Ms. Ng was entitled to an annual remuneration of HK$120,000.

Mr. Lam Wai Hung, aged 35, holds a bachelor's degree of accounting and finance in Leeds Metropolitan University and is a member of the Association of Chartered Certified Accountants. Mr. Lam is currently an executive director of Sino Haijing Holdings Limited (stock code: 1106), a company listed on the Main Board of the Stock Exchange. He had also been working in various companies listed on the Stock Exchange, and was responsible for works related to financial management, corporate finance, merger and acquisition, investor relationship and corporate governance. Mr. Lam was entitled to an annual remuneration of HK$360,000.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hui Hung Kwan, aged 43, has over 10 years of experience in the finance and accounting fields. Mr. Hui holds a bachelor's degree in business administration (hons) with a major in accounting in the Chinese University of Hong Kong. Mr. Hui is a member of the Hong Kong Institute of Certified Public Accountants and is a fellow member of the Association of Chartered Certified Accountants. Mr. Hui is the chief financial officer of China Creative Home Group Limited (stock code: 1678), a company listed on the Main Board of the Stock Exchange. He was a chief financial officer of a company listed on the main board of Singapore Exchange Securities Trading Limited, and he also worked in an audit firm in Hong Kong. There is no service agreement between the Company and Mr. Hui. The emoluments payable to Mr. Hui is HK$120,000 per annum. The appointment term of Mr. Hui was fixed for a term of three years and be subject to normal retirement and re-election by shareholders of the Company pursuant to the Articles and Association of the Company.

Mr. Wong Yuk Lun, Alan, aged 40, holds a bachelor's degree of accounting and finance in University of Sunderland. Mr. Wong had been working with various accounting firms and commercial companies for about 17 years of working experience and was responsible for works related to financial management, taxation, audit and non-audit services. The emoluments payable to Mr. Wong is HK$180,000 per annum. The appointment term of Mr. Wong was fixed for a term of three years and be subject to normal retirement and re-election by shareholders of the Company pursuant to the Articles and Association of the Company.

Mr. Lim Chi Kit, aged 31, holds a bachelor's degree of business administration in management of organizations and finance in the Hong Kong University of Science and Technology. Mr. Lim is a member of Hong Kong Institute of Certificate Public Accountants. Mr. Lim had been working in international investment bank, international audit firm, Transport Department and Inland Revenue Department of the Government of the Hong Kong Special Administrative Region for about 8 years of working experience and was responsible for works related to accounting, audit services and taxation services. The emoluments payable to Mr. Lim is HK$180,000 per annum. The appointment term of Mr. Lim was fixed for a term of three years and be subject to normal retirement and re-election by shareholders of the Company pursuant to the Articles and Association of the Company.

SENIOR MANAGEMENT

Mr. Lau Chi Yuen, aged 39, holds a master degree in professional accounting from the University of Southern Cross. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants. Mr. Lau has been appointed as the Company Secretary of the Company on 2 September 2014. Mr. Lau had been serving with a company listed on the Stock Exchange as company secretary, authorised representative and executive director of subsidiaries of listed companies. He has many years of experience in and was mainly responsible for works related to company secretarial, corporate finance, merger and acquisition, investor relationship and corporate governance. He has been working in the company secretarial, accounting, auditing and taxation fields for over 15 years.

REPORT OF THE DIRECTORS

The Directors have the pleasure in presenting their annual report together with the audited financial statements of Jinheng Automotive Safety Technology Holdings Limited and its subsidiaries for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in the production and sales of automotive components in the PRC including design, research and development, manufacture and sale of automotive electronic products and automotive safety spare parts. During the year ended 31 December 2014, the Group had begun to engage in the premium car (including classic car) investment and trading business and investment business in property in the PRC. The principal activities and other particulars of its subsidiaries are set out in note 23 to the consolidated financial statements.

The Group's turnover for the year is principally attributable to the sales of automotive safety products and other automotive components to customers net of sales tax and value added tax. An analysis of the turnover from the principal activities during the financial year is set out in note 7 to the consolidated financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 31 to 35.

DIVIDENDS

The Directors did not recommend the payment of final dividend of the year ended 31 December 2014.

CHARITABLE DONATIONS

No donation was made by the Group during the year (2013: HK$Nil).

FIXED ASSETS

Details of movements in fixed assets are set out in note 19 to the consolidated financial statements.

RESERVES

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

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 35(a) to the consolidated financial statements.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the Directors and based on the information publicly available to the Company, there is a sufficient public float as required by the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the law in the Cayman Islands.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2014 are set out in note 32 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	46.8%	
Five largest customers in aggregate	82.3%	
The largest supplier		36.2%
Five largest suppliers in aggregate		59.9%

Save as disclosed above and so far as the Board are aware, neither the directors, their associates nor any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

The directors during the financial year and up to the date of this report were:

Executive directors

Mr. Li Feng
Mr. Xing Zhanwu
Mr. Yang Donglin (Resigned on 2 September 2014)
Mr. Foo Tin Chung, Victor (Resigned on 2 September 2014)
Ms. Ng Sau Lin (Appointed on 2 September 2014)
Mr. Wong Ka Ching (Appointed on 13 June 2014)
Mr. Lam Wai Hung (Appointed on 2 September 2014)

Non-executive director

Mr. Li Hong (Resigned on 6 January 2014)

Independent non-executive directors

Mr. Hui Hung Kwan
Mr. Zhu Tong (Resigned on 2 September 2014)
Mr. Chen Li Zhou (Resigned on 6 October 2014)
Mr. Wong Yuk Lun, Alan (Appointed on 2 September 2014)
Mr. Lim Chi Kit (Appointed on 6 October 2014)

In accordance with Articles 86(3) and 87(1) of the Articles of Association, the following Directors, namely, Messrs. Wong Ka Ching, Ng Sau Lin, Lam Wai Hung, Wong Yuk Lun, Alan and Lim Chi Kit, will hold office only until the forthcoming special general meeting or forthcoming annual general meeting whichever is earlier, and being eligible, offer themselves for re-election.

Meanwhile, Mr. Xing Zhanwu will retire from the Board by rotation at the forthcoming annual general meeting and would not offer himself for re-election in accordance with Article 87(1) of the Articles of Association.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company. All annual remuneration packages of the directors were determined on arm's length negotiations between the parties based on their respective contributions to and responsibilities in the Company. Messrs. Li Feng and Xing Zhanwu are also entitled to a discretionary bonus calculated as a percentage of the audited consolidated net profits of the Group attributable to shareholders of the Company. The percentage shall be determined by the board of directors but in any case the aggregate amount payable for each financial year to all the executive directors of the Company shall not exceed 4% of such profit.

Each of the three independent non-executive directors has a service term of three years with the Company. The service can be terminated by either party by giving three months' notice to the other party.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the directors and chief executives in shares and underlying shares and in debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinances (the "SFO") as recorded in the register required to be kept under section 352 of SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Long positions in issued shares

Name of director	Capacity	Number of shares	Approximate percentage of shareholding
Li Feng	Beneficial owner	200,000	0.03%

Apart from the foregoing, none of the Directors and chief executive of the Company or any of their spouses or children under eighteen years of age has interests or short positions in shares, underlying shares or debentures of the Company, any of its holding company, subsidiaries or fellow subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO.

SHARE OPTION SCHEMES

The Company has a share option scheme which was adopted on 19 June 2009 ("2009 Share Option Scheme"). A summary of principal terms of the 2009 Share Option Scheme was disclosed in the circular of the Company issued on 29 April 2009.

The total number of securities available for issue under the 2009 Share Option Scheme as at 31 December 2014 was 44,350,000 shares which represented approximately 6.02% of the issued share capital of the Company as at 31 December 2014.

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Subsequent to the year of 2014, certain executive Directors of the Company and other eligible participants have interests in share options to subscribe for shares in the Company. Details of such interests and movement of share options granted by the Company are set out in the announcement of the Company dated 28 January 2015.

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2014, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

	Capacity	Number of ordinary shares of the Company held	Approximately percentage of total shares of the Company
Corporate Genius Limited ("Corporate Genius")	Beneficial owner (Note 1)	205,340,802	27.87%
Ms. Ku Yun-sen	Interest in controlled corporation (Note 1)	205,340,802	27.87%
Kingston Finance Limited ("Kingston Finance")	Person having a security interest in shares (Note 2)	205,340,802	27.87%
Ample Cheer Limited ("Ample Cheer")	Interest in controlled corporation (Note 2)	205,340,802	27.87%
Best Forth Limited ("Best Forth")	Interest in controlled corporation (Note 2)	205,340,802	27.87%
Chu Yuet Wah ("Madam Chu")	Interest in controlled corporation (Note 3)	205,340,802	27.87%

Notes:

1. Ms. Ku Yun-sen held 100% of the issued share capital of Corporate Genius. Ms. Ku Yun-sen is therefore deemed under the SFO to be interested in 205,340,802 shares.

2. According to the Corporate Substantial Shareholder Notices filed by Kingston Finance, Ample Cheer and Best Forth filed on 9 December 2014, Kingston Finance, as person having a security in shares, is interested in 205,340,802 shares. Since Kingston Finance is wholly-owned by Ample Cheer who in turn is 80%-owned by Best Forth, Ample Cheer and Best Forth are deemed to be interested in 205,340,802 shares held by Kingston.

3. According to the Individual Substantial Shareholder Notice filed by Madam Chu on 9 December 2014, Madam Chu is deemed to be interested in 205,340,802 shares through corporations controlled by her.

Short positions in shares

No short positions of other persons and substantial shareholders in the shares of the Company were recorded in the register.

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY *(continued)*

Short positions in underlying shares

No short positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Save as disclosed above, as at 31 December 2014, the Directors or chief executive of the Company were not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the 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 at the end of the year or any time during the year.

ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 2014, the Company has adopted the code set out in the Appendix 10 of the Listing Rules for securities transactions by Directors. The Company also had made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard set out in the adopted code regarding securities transactions by directors.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Director an annual confirmation for independence pursuant to Rule 3.13 of the Listing Rules. The independent non-executive Directors have confirmed that they are independent.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2014, none of the Company or any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

RELATED PARTY TRANSACTIONS

Related party transactions entered into by the Group for the year ended 31 December 2014, are disclosed in note 39 to the financial statements. Save as mentioned, there were no other discloseable non-exempted connected transactions or non-exempted continuing connected transactions under the Listing Rules. To the extent of the related party transactions as disclosed in note 39 to the financial statements constituted connected transaction or continuing connected transaction, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the year.

AUDITORS

In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited which has been appointed as the auditors of the Company by the shareholders at the annual general meeting held on 18 June 2012.

Apart from the foregoing, there were no other changes in auditors of the Company in any of the preceding three years.

HLB Hodgson Impey Cheng Limited will retire and a resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint them as auditors of the Company.

By order of the board

Li Feng
Chairman

Hong Kong, 31 March 2015

CORPORATE GOVERNANCE REPORT

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2014, except the following:

CG Code A.6.7 stipulates that independent non-executive directors of the Company and other non-executive directors of the Company should attend general meetings. Mr. Chen Li Zhou and Mr. Zhu Tong, being independent non-executive Directors of the Company, were unable to attend the annual general meeting of the Company held on 3 June 2014 as they were out of town for other businesses. Mr. Hui Hung Kwan, Mr. Chen Li Zhou and Mr. Wong Yuk Lun, Alan, being independent non-executive Directors of the Company, were unable to attend the extraordinary general meeting of the Company held on 22 September 2014 as they were engaged for other businesses.

THE BOARD

The Board is responsible for managing the Company on behalf of shareholders. The Board is of the view that it is the directors' responsibilities to create value for shareholders and safeguard the best interests of the Company and the shareholders by discharging its duties in a dedicated, diligent and prudent manner on the principle of good faith. The management is delegated by the Board to execute these business strategies and directions and is responsible for the daily operations of the Group.

As at the date of this report, the Board comprises 8 Directors, including 5 executive Directors and 3 independent non-executive Directors, in compliance with the requirement of Listing Rules which states that "every board of directors of an issuer must include at least 3 independent non-executive directors which represent at least one-third of the board".

The primary functions of the Board include:

- deciding on the overall strategies, overseeing operational and financial performance and formulating appropriate policies to manage risk exposure associated with realizing the strategies and goals of the Group;

- being held accountable for the internal control system of the Company and responsible for reviewing its effectiveness;

- being ultimately responsible for preparing financial accounts and discussing the performance, financial conditions and prospects of the Company in a balanced, clear and comprehensible manner. These responsibilities are applicable to interim and annual reports of the Company, other price sensitive announcements published according to the Listing Rules and disclosure of other financial information, reports submitted to regulatory bodies and information disclosable under statutory requirements;

- whilst executive Directors/chief executives, who oversee the overall business of the Company, are responsible for the daily operations of the Company, the Board is responsible for affairs involving the overall policies, finance and shareholders of the Company, namely financial statements, dividend policy, significant changes to accounting policies, annual operating budgets, material contracts, major financing arrangements, principal investment and risk management strategy;

THE BOARD *(continued)*

- the management is well informed of its power with clear guidelines and instructions, in particular regarding situations under which reporting to the Board is necessary and matters that require the approval of the Board before any decisions or commitments can be made on behalf of the Company; and

- regularly reviewing its own functions and the powers conferred upon executive Directors/chief executives to ensure appropriate arrangements are in place.

COMMITMENTS

The full Board meets at least four times a year, at approximately quarterly intervals, to review the financial performance, results of each period, material investments and other matters of the Group that require the resolution of the Board. Simultaneous conference call may be used to improve attendance when individual director cannot attend the meeting in person. Opinions of the non-executive directors, including independent non-executive directors, are actively sought by the Company if they are unable to attend the meeting in person.

EXPERIENCE

Executive and non-executive directors possess administrative leadership, diversified expertise and extensive industrial management experience. Independent non-executive directors possess extensive expertise, experience and judging capability in various fields, in particular the appropriate accounting qualifications possessed by Mr. Hui Hung Kwan. During its decision-making process, the Board holds in high regard the views of the independent non-executive directors, which serve as the effective direction of the Group's operations.

BOARD MEETING

Members of the Board, who are well-informed of their duties and responsibilities, held a total of 25 meetings during the year 2014. The Directors are given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Proposals considered and approved by the Board during the period under review mainly included:

- financial performance and results of each period as well as review of corporate governance measures;

- a proposal to seek approval from shareholders in general meeting for distribution of final dividends to shareholders;

- a proposal to seek approval from shareholders in general meeting for re-election and re-appointment of Directors;

- a proposal to seek approval from shareholders in general meeting for re-appointment the Company's auditors and fixing their remuneration;

- a proposal to seek approval from shareholders in general meeting for issuance new shares and repurchases shares;

CORPORATE GOVERNANCE REPORT

THE BOARD *(continued)*

- appointment and resignation of members of the Board;
- appointment and resignation of auditors of the Company; and
- other material disposal and acquisition and capital expenditure.

Details of Directors' attendance at Board meetings and general meetings held in 2014 are set out as follows:

	Attendance	
	General Meetings	Board Meetings
Executive Directors		
Mr. Li Feng	1/2	11/25
Mr. Xing Zhanwu	1/2	11/25
Mr. Yang Donglin (Resigned on 2 September 2014)	1/1	7/13
Mr. Foo Tin Chung, Victor (Resigned on 2 September 2014)	1/1	7/13
Ms. Ng Sau Lin (Appointed on 2 September 2014)	0/1	4/12
Mr. Wong Ka Ching (Appointed on 13 June 2014)	1/1	20/20
Mr. Lam Wai Hung (Appointed on 2 September 2014)	1/1	12/12
Non-Executive Director		
Mr. Li Hong (Resigned on 6 January 2014)	0/0	0/0
Independent Non-Executive Directors		
Mr. Hui Hung Kwan	1/2	11/25
Mr. Zhu Tong (Resigned on 2 September 2014)	0/1	7/13
Mr. Chen Li Zhou (Resigned on 6 October 2014)	0/1	8/19
Mr. Wong Yuk Lun, Alan (Appointed on 2 September 2014)	0/1	4/12
Mr. Lim Chi Kit (Appointed on 6 October 2014)	0/1	4/6

CODE FOR DEALING IN SECURITIES OF THE COMPANY

Details of directors' interests in securities of the Company have been historically disclosed in each of the published results announcements of the Company. The Company has adopted a model code of practice for securities dealings by directors on terms no less exacting than the required standard of dealings. The Company has confirmed, after making specific enquiries with the directors in accordance with the code of practice, that all the directors have complied with the standard of dealings and model code of practice in relation to securities dealings by directors for the period under review.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under A.2.1 of the CG Code, "the roles of chairman and chief executive officer should be separate and should not be performed by the same individual". Concurrently, Mr. Li Feng is the Chairman of the Board and Mr. Xing Zhanwu is the chief executive officer ("Chief Executive Officer") of the Company.

The roles of the Chairman and the Chief Executive Officer are clearly defined and segregated to ensure independence and proper checks and balances. Mr. Li, as Chairman of the Board, with his strategic vision, provides leadership to the Board and gives direction in the development of the Group, which is of added benefit to the check and balance mechanism of the Group. Mr. Xing, as the Chief Executive Officer, focuses on the day-to-day management of the Group's business, and leads the management team of the Group.

APPOINTMENT OF DIRECTORS

During their terms of office, the directors all carried out their work in a dedicated, diligent and proactive manner with reasonable prudence. Meanwhile, they carried out the duties of directors imposed by the Companies Ordinance, the Articles of Association of the Company and the Listing Rules, complied with the relevant requirements, strictly implemented resolutions of general meetings, promoted the continuous and healthy development of the Company's operations, pressed for the improvement of the governance standard of the Company and exerted the decision-making function of the Board in its full swing. In this regard, on the annual general meeting held on 3 June 2014, Mr. Xing Zhanwu, Mr. Yang Donglin and Mr. Foo Tin Chung, Victor were re-elected and re-appointed and subject to rotation and re-election at the Company's annual general meeting in accordance with the Articles of Association of the Company.

None of the independent non-executive directors holds any other offices in the Company or any of its subsidiaries. Within the meaning of the laws and regulations issued by relevant securities regulatory authorities, none of them is interested in any shares of the Company. The Company has received from each of the independent non-executive Directors a written confirmation of his independence under Rule 3.13 of the Listing Rules.

Names and biography of the directors are set out on pages 11 to 12 of this annual report and also made available on the Company's website.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The audit committee of the Company is primarily responsible for reviewing the financial reporting process, internal control system and the completeness of financial reports of the Company. The audit committee of the Company comprises three independent non-executive directors, namely Mr. Hui Hung Kwan, Mr. Wong Yuk Lun, Alan and Mr. Lim Chi Kit, with Mr. Hui Hung Kwan as the chairman. During the year, the Company convened two meetings of the audit committee. The audit committee of the Company, together with the senior management of the Company and external auditors, has reviewed the accounting principles and methods adopted by the Group and discussed, inter alia, matters relating to internal control and financial statements of the Company (i.e. half-yearly and annual results) prepared in accordance with the generally accepted accounting principles of Hong Kong and has also made relevant recommendations.

Details of attendance of members at meetings of the audit committee held in 2014 are set out as follows:

	Attendance
Mr. Hui Hung Kwan	2/2
Mr. Zhu Tong (Resigned on 2 September 2014)	2/2
Mr. Chen Li Zhou (Resigned on 6 October 2014)	2/2
Mr. Wong Yuk Lun, Alan (Appointed on 2 September 2014)	0/0
Mr. Lim Chi Kit (Appointed on 6 October 2014)	0/0

INTERNAL CONTROLS

The directors have conducted an annual review of the effectiveness of the system of internal control of the Company and its subsidiaries, which has covered major and material controls in areas of financial, operations, compliance and risk management of the Company.

REMUNERATION COMMITTEE

The remuneration committee was established in November 2005. The remuneration committee of the Company comprises executive director Mr. Xing Zhanwu and independent non-executive directors Mr. Wong Yuk Lun, Alan and Mr. Lim Chi Kit, with Mr. Wong Yuk Lun, Alan as the chairman. The committee performs its functions, which primarily include assisting the Board in the overall management of the remuneration practices of the Company to ensure that effective policies, processes and practices are implemented in respect of the incentives for the Directors and senior management, in accordance with the CG Code.

The remuneration policies and incentive mechanism applicable to the directors and senior management were discussed and the overall remuneration system of the Company were further refined and reasonable recommendations were made to the Board in the meeting.

Details of attendance of members at meetings of the remuneration committee held in 2014 are set out as follows:

	Attendance
Mr. Zhu Tong (Resigned on 2 September 2014)	1/1
Mr. Xing Zhanwu	4/4
Mr. Chen Li Zhou (Resigned on 6 October 2014)	2/2
Mr. Wong Yuk Lun, Alan (Appointed on 2 September 2014)	2/2
Mr. Lim Chi Kit (Appointed on 6 October 2014)	0/0

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The main aims of the Company's remuneration policy are:

- to ensure that none of the Directors or any of their associates should determine their own remuneration;
- the remuneration should be broadly aligned with companies of which the Company competes for human resources;
- the Group should aim to attract and retain executives and to motivate them to pursue appropriate growth strategies whilst taking into account individual performance and should avoid paying more than necessary for such purpose; and
- the remuneration should reflect the performance, complexity of duties and responsibility of the individual.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The nomination committee was established in November 2005. The nomination committee of the Company comprises executive Director Mr. Xing Zhanwu and independent non-executive Director Mr. Hui Hung Kwan, Mr. Wong Yuk Lun, Alan and Mr. Lim Chi Kit, with Mr. Hui Hung Kwan as the chairman. The committee performs its functions, which primarily includes assisting the Board in the overall management of the nomination practices of the Company to ensure that effective policies, processes and practices are implemented in respect of the appointment and removal of Directors in accordance with the CG Code. During the year, the nomination committee has considered the past performance, qualification, general market conditions and the Company's Articles of Association in seeking and recommending candidates for directorship.

Details of attendance of members at meetings of the nomination committee held in 2014 are set out as follows:

	Attendance
Mr. Hui Hung Kwan	3/3
Mr. Zhu Tong (Resigned on 2 September 2014)	0/2
Mr. Xing Zhanwu	2/2
Mr. Wong Yuk Lun, Alan (Appointed on 2 September 2014)	1/1
Mr. Lim Chi Kit (Appointed on 6 October 2014)	0/0

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts for each financial period by the management. Subsequent to each reporting period, interim or annual financial highlights and business review are published as soon as possible (or in accordance with the Listing Rules, as the case may be) to disclose all information that are necessary for shareholders to assess the performance, financial conditions and prospects of the Company.

The Board has the responsibility to regularly review the internal control and risk management systems of the Company to ensure their effectiveness and efficiency. With the support of the internal audit team, the practices, processes, expenses and internal control of the Company and its subsidiaries are reviewed on a regularly basis. Matters of importance reported by the internal audit team are monitored regularly by the management to ensure remedial measures are implemented as appropriate. The Board and senior management may also require the internal audit team to conduct auditing procedures on special scopes of importance and report significant findings to the Board and the audit committee.

During the period under review, the performance and remuneration of external auditors were reviewed. Auditors' remuneration payable to external auditors by the Group amounted to HK$0.6 million.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- delivery of the interim and annual results and reports to all shareholders;
- publication of announcements on the interim and annual results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- the general meeting of the Company is also an effective communication channel between the Board and shareholders.

The Company maintains effective communications with its shareholders, investors and analysts through, inter alia:

- establishing dedicated personnel for liaison with investors and analysts by answering their questions;
- arranging on-site visits to the production facilities of the Company to enhance their timely understanding of the situations and latest development of the Company's business operations;
- gathering, in a timely manner, opinions and comments from analysts and investors on the operations of the Company, compiling reports thereon at regular intervals and selectively adopting them in the Company's operations;
- making available information on the Company's website, including description of the Company, Board and corporate governance, results of the Company, financial highlights, promotional materials and press releases of the Company, etc.; and
- actively communicating with various parties, in particular, convening briefing sessions, press conferences and individual meeting with institutional investors upon the announcement of interim and annual results and making decisions on material investments. The Company also participates in a range of investor activities and communicates on one-on-one basis with its investors regularly.

TRAINING, INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

Each director receives comprehensive, formal and tailored induction on the first occasion of his appointment so as to ensure the he has appropriate understanding of the business and operations of the Company and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Company is committed to arranging and funding suitable training to all directors for their continuous professional development. Each director is briefed and updated from time to time to ensure that he is fully aware of his responsibilities under the Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. Lau Chi Yuen, the company secretary of the Company, has confirmed the completion of relevant professional training of not less than 15 hours.

SHAREHOLDERS' RIGHTS

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 secretary of the Company, 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.

Any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders of the Company or not less than 100 shareholders can put forward any proposed resolution or the business to be dealt with at general meetings of the Company by depositing a requisition in writing at the principal office of the Company. The requisition must be signed by the relevant shareholder(s).

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Unit 903, 9/F.,
Wings Building,
110-116 Queen's Road Central,
Hong Kong
Email: jinheng_hk@jinhengholdings.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF JINHENG AUTOMOTIVE SAFETY TECHNOLOGY HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Jinheng Automotive Safety Technology Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 117, which comprise the consolidated and Company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of 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 and to report our opinion 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 Standard 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' judgment, 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.

INDEPENDENT AUDITORS' REPORT

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 loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 31 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	**2014** HK$	2013 HK$
Turnover	7	**184,878,802**	199,820,947
Cost of sales		**(174,296,075)**	(181,783,813)
Gross profit		**10,582,727**	18,037,134
Other revenue	8	**7,662,708**	14,556,517
Other loss, net	9	**(557,646)**	(5,155,312)
Research and development expenses	10	**(56,140,396)**	(55,715,121)
Selling and distribution expenses		**(8,048,358)**	(5,514,324)
Administrative expenses		**(70,846,753)**	(58,006,029)
Finance costs	11	**(3,789,444)**	(4,037,591)
Realised and unrealised loss on held-for-trading investments	12	**(1,616,096)**	–
Loss on disposal of subsidiaries, net	37	**(7,276,306)**	–
Share of losses of an associate	24	**(6,270,000)**	(5,784,957)
Loss before taxation	12	**(136,299,564)**	(101,619,683)
Taxation	13	**1,186,020**	1,152,753
Loss for the year		**(135,113,544)**	(100,466,930)
Other comprehensive (loss)/income for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong		**(7,231,784)**	11,952,906
Other comprehensive (loss)/income for the year		**(7,231,784)**	11,952,906
Total comprehensive loss for the year		**(142,345,328)**	(88,514,024)
Loss for the year attributable to:			
Owners of the Company		**(96,080,590)**	(62,824,918)
Non-controlling interests		**(39,032,954)**	(37,642,012)
		(135,113,544)	(100,466,930)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	**2014** **HK$**	2013 HK$
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(102,055,926)**	(52,539,768)
Non-controlling interests		**(40,289,402)**	(35,974,256)
		(142,345,328)	(88,514,024)
Loss per share			
– Basic and diluted (HK cents)	18	**(16.35)**	(12.26)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	**2014** HK$	2013 HK$
Non-current assets			
Fixed assets			
– Property, plant and equipment	19	**34,730,223**	135,106,875
– Interests in leasehold land held for own use under operating leases	19	**11,257,370**	37,466,163
Deposits paid for acquisition of property, plant and equipment		**726,874**	23,450,311
Construction in progress	20	–	81,826,184
Intangible assets	21	**44,628,533**	50,402,887
Goodwill	22	**5,363,669**	5,494,155
Interests in an associate	24	**35,460,243**	41,730,243
		132,166,912	375,476,818
Current assets			
Inventories	26	**26,048,015**	46,344,023
Trade receivables, prepayments and other receivables	27	**248,106,931**	256,851,081
Loan receivables	28	**33,000,000**	11,000,400
Held-for-trading investments	29	**19,622,500**	–
Cash and cash equivalents	30	**105,343,549**	40,961,978
		432,120,995	355,157,482
Current liabilities			
Trade and other payables	31	**33,145,028**	70,955,624
Current tax payable	25	**95,218**	–
Bank loans	32	**17,526,334**	59,096,142
Other loans	32	–	3,866,837
		50,766,580	133,918,603
Net current assets		**381,354,415**	221,238,879
Total assets less current liabilities		**513,521,327**	596,715,697

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	**2014** **HK$**	2013 HK$
Non-current liabilities			
Deferred tax liabilities	25	**16,538,705**	20,124,266
Net assets		**496,982,622**	576,591,431
Capital and reserves			
Share capital	35	**7,368,209**	5,117,189
Reserves	35	**521,420,638**	549,017,433
Total equity attributable to owners of the Company		**528,788,847**	554,134,622
Non-controlling interests		**(31,806,225)**	22,456,809
Total equity		**496,982,622**	576,591,431

Approved and authorised for issue by the Board of Directors on 31 March 2015

Li Feng
Director

Wong Ka Ching
Director

The accompanying notes form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	2014 HK$	2013 HK$
Non-current assets			
Investments in subsidiaries	23	**37,265,440**	37,265,316
Current assets			
Prepayments and other receivables	27	**293,545,093**	523,856,084
Loan receivables	28	**33,000,000**	–
Held-for-trading investments	29	**19,622,500**	–
Cash and cash equivalents	30	**104,876,992**	1,538,293
		451,044,585	525,394,377
Current liabilities			
Other payables	31	**21,683,080**	21,617,035
Net current assets		**429,361,505**	503,777,342
Net assets		**466,626,945**	541,042,658
Capital and reserves			
Share capital	35	**7,368,209**	5,117,189
Reserves	35	**459,258,736**	535,925,469
Total equity		**466,626,945**	541,042,658

Approved and authorised for issue by the Board of Directors on 31 March 2015

Li Feng
Director

Wong Ka Ching
Director

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company								
	Share capital HK$	Share premium HK$	Statutory surplus reserve HK$	Exchange reserve HK$	Other reserve HK$	Retained profits HK$	Sub-total HK$	Non-controlling interests HK$	Total HK$
As at 1 January 2013	5,138,489	249,722,557	7,145,394	27,331,765	(29,118,372)	372,425,986	632,645,819	35,730,398	668,376,217
Loss for the year	–	–	–	–	–	(62,824,918)	(62,824,918)	(37,642,012)	(100,466,930)
Other comprehensive income for the year, net of income tax:									
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	10,285,150	–	–	10,285,150	1,667,756	11,952,906
Total comprehensive income/(loss) for the year	–	–	–	10,285,150	–	(62,824,918)	(52,539,768)	(35,974,256)	(88,514,024)
Change in ownership interests in a subsidiary (note 36)	–	–	–	–	(17,746,286)	–	(17,746,286)	17,746,286	–
Capital injection in a subsidiary	–	–	–	–	–	–	–	7,515,200	7,515,200
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	(2,560,819)	(2,560,819)
Repurchase and cancellation of ordinary shares	(21,300)	(830,700)	–	–	302,640	–	(549,360)	–	(549,360)
Dividend paid during the year	–	–	–	–	–	(7,675,783)	(7,675,783)	–	(7,675,783)
Appropriations to statutory surplus reserve	–	–	786,815	–	–	(786,815)	–	–	–
As at 31 December 2013 and 1 January 2014	5,117,189	248,891,857	7,932,209	37,616,915	(46,562,018)	301,138,470	554,134,622	22,456,809	576,591,431
Loss for the year	–	–	–	–	–	(96,080,590)	(96,080,590)	(39,032,954)	(135,113,544)
Other comprehensive loss for the year, net of income tax:									
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	–	(5,975,336)	–	–	(5,975,336)	(1,256,448)	(7,231,784)
Total comprehensive loss for the year	–	–	–	(5,975,336)	–	(96,080,590)	(102,055,926)	(40,289,402)	(142,345,328)
Placing of ordinary shares	2,251,020	89,018,850	–	–	–	–	91,269,870	–	91,269,870
Transaction costs attributable to placing of ordinary shares	–	(2,481,747)	–	–	–	–	(2,481,747)	–	(2,481,747)
Disposal of subsidiaries (note 37)	–	–	(220,236)	(11,839,495)	(18,241)	–	(12,077,972)	(6,473,632)	(18,551,604)
Dividend paid to non-controlling shareholder	–	–	–	–	–	–	–	(7,500,000)	(7,500,000)
Appropriations to statutory surplus reserve	–	–	181,684	–	–	(181,684)	–	–	–
As at 31 December 2014	**7,368,209**	**335,428,960**	**7,893,657**	**19,802,084**	**(46,580,259)**	**204,876,196**	**528,788,847**	**(31,806,225)**	**496,982,622**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 HK$	2013 HK$
Operating activities			
Loss before taxation		**(136,299,564)**	(101,619,683)
Adjustments for:			
– Depreciation of property, plant and equipment		**13,453,138**	14,956,029
– Amortisation of intangible assets		**4,606,071**	21,451,915
– Amortisation of leasehold land held for own use under operating leases		**1,637,469**	1,641,598
– Finance costs		**3,789,444**	4,037,591
– Bank interest income		**(397,291)**	(250,722)
– Share of losses of an associate		**6,270,000**	5,784,957
– Loss on disposal of property, plant and equipment		**28,609**	5,393,008
– Loss on disposal of subsidiaries, net	37	**7,276,306**	–
– Realised and unrealised loss on held-for-trading investments		**1,616,096**	–
– Net foreign exchange loss/(gain)		**529,037**	(237,696)
– Impairment loss recognised on trade receivables		**3,814,579**	5,780,527
Operating loss before changes in working capital		**(93,676,106)**	(43,062,476)
Decrease/(increase) in inventories		**9,315,249**	(3,784,215)
Increase in trade receivables, prepayments and other receivables		**(29,154,572)**	(12,442,864)
Increase/(decrease) in trade and other payables		**117,387,038**	(11,819,028)
Purchase of held-for-trading investments		**(28,775,336)**	–
Proceeds from disposal of held-for-trading investments		**7,536,740**	–
Cash used in operations		**(17,366,987)**	(71,108,583)
PRC income tax paid		**(141,815)**	(1,407,122)
Net cash used in operating activities		**(17,508,802)**	(72,515,705)
Investing activities			
Payment for purchase of property, plant and equipment		**(166,731)**	(44,526,326)
Payment for construction in progress		**–**	(51,343,934)
Proceeds from disposal of property, plant and equipment		**–**	3,288,647
Addition of loan receivables		**(33,000,000)**	–
Repayment of loan receivables		**11,000,400**	–
Net cash inflow from disposal of subsidiaries	37	**26,698,376**	–
Bank interest received		**397,291**	250,722
Net cash outflow for acquisition of an associate		**–**	(40,000,000)
Net cash generated from/(used in) investing activities		**4,929,336**	(132,330,891)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 HK$	2013 HK$
Financing activities		
Proceeds from new bank loans	**62,919,581**	58,201,875
Repayment of bank loans	**(58,056,215)**	(44,947,177)
Proceeds from placing of ordinary shares	**91,269,870**	–
Payment for transaction costs attributable to placing of ordinary shares	**(2,481,747)**	–
Repayment of other loans	**(3,798,742)**	(18,915,511)
Repurchase of ordinary shares	**–**	(549,360)
Bank loan interest paid	**(3,789,444)**	(3,567,085)
Dividends paid	**(7,500,000)**	(10,236,602)
Net cash generated from/(used in) financing activities	**78,563,303**	(20,013,860)
Net increase/(decrease) in cash and cash equivalents	**65,983,837**	(224,860,456)
Effect of foreign exchange rate changes	**(1,602,266)**	5,847,926
Cash and cash equivalents as at 1 January	**40,961,978**	259,974,508
Cash and cash equivalents as at 31 December	**105,343,549**	40,961,978

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 26 February 2004 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprises Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 December 2004. On 12 November 2008, the Company withdrew the listing of its shares on GEM and listed its entire issued share capital by way of transfer on the Main Board of the Stock Exchange.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 23 to the consolidated financial statements.

As at 31 December 2014, the directors consider the immediate parent and ultimate controlling party of the Company and its subsidiaries (together referred to as the "Group") to be Corporate Genius Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") except when otherwise indicated.

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

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1 January 2014.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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

HK (IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 Levies addresses the issue of when to recognise a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

Same as described above, the application of the above new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle[4]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10, HKFRS 12 and HKAS 28 (2011) (Amendments)	Investment Entities: Applying the Consolidation Exception[4]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operation[4]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[5]
HKAS 1 (Amendments)	Disclosure Initiative[4]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[4]
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contribution[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[4]

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

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

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The Directors do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

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

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

The Directors anticipate that the adoption of HKFRS 9 in the future may have an impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) Investment Entities: Applying the Consolidation Exception

The narrow-scope amendments to HKFRS 10, HKFRS 12 and HKAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.

The Directors do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKFRS 10:

– An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

– New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKAS 28:

– The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

– A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

– A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

The Directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material effect on the Group's consolidated financial statements.

Amendments to HKFRS 11 Accounting for Acquisition of Interests in Joint Operation

HKFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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

HKFRS 14 Regulatory Deferral Accounts

HKFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous Generally Accepted Accounting Principles ("GAAP") requirements when they adopt HKFRS. However, to enhance comparability with entities that already apply HKFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents HKFRS financial statements is not eligible to apply the standard.

The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2017 with earlier application permitted.

Amendments to HKAS 1 Disclosure Initiative

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

The amendments can be applied immediately and become mandatory for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

HKAS 16 and HKAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

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

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contribution

The issuance of HKAS 19 Defined Benefit Plans: Employee Contribution completes improvements to the accounting requirements for pensions and other post-employment benefits and HKAS 19 makes important improvements by:

- Eliminating an option to defer the recognition of gains and losses, known as the 'corridor method', improving comparability and faithfulness of presentation.

- Streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income, thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations.

- Enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor of Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

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

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

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

The principal accounting policies are set out below.

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3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group lost control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Business combinations *(Continued)*

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

(e) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's CGUs (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment or a portion thereof, is classified as held for sales, in which case it is accounted for in accordance with HKFRSs. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of the acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or joint venture, or when the investment is classified as held for sales. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the carrying amount of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Investment in associates (Continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such change in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to thy reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

(g) Property, plant and equipment

Property, plant and equipment, including freehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress and freehold land) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line methods.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

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

- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.
- Machinery and equipment — 3-10 years
- Motor vehicles — 10 years
- Office equipment — 5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Construction in progress

Construction in progress represents buildings under construction and equipment pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction as well as interest charges during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificates by the relevant authorities in the PRC.

(i) Intangible assets (other than goodwill)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting periods, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any impairment losses.

Internally-generated intangible asset – development cost

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

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

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

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

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) Intangible assets (other than goodwill) *(Continued)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at fair value at the acquisition date (which is regarded as their cost).

Derecognition of intangible assets

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

Amortisation of capitalised development cost is charged to profit or loss over the estimated life cycle (not more than 5 years) of the relevant products. Amortisation of other intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over their estimated useful lives as follows:

– Acquired technology	5-8 years
– Patents	10-18 years

Both the period and method of amortisation are reviewed annually.

(j) Impairment of assets

(i) *Impairment of investments in equity securities and other receivables*

Investments in equity securities (other than investments in subsidiaries) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

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

– For unlisted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed; and

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Impairment of assets *(Continued)*

(ii) Impairment of other assets

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

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– intangible assets;

– investments in subsidiaries; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Impairment of assets *(Continued)*

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Leasing *(Continued)*

Leasehold land for own use

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "interests in leasehold land held for own use under operating leases" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value.

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

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

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

(m) Trade receivables and other receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Interest-bearing borrowings

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

Bills discounted with recourse are not derecognised from the statement of financial position until actual settlement on maturity, and the related advances from banks in respect of discounted bills are classified as secured bank loans.

(o) Trade and other payables

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

(p) Cash and cash equivalents

Cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of nonmonetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Equity-settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial or trinomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(q) Employee benefits *(Continued)*

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(r) Taxation

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

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

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(r) Taxation *(Continued)*

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

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

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

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

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

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(t) Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(u) Current assets and liabilities

Current assets are expected to be realised within twelve months of the end of the reporting period or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the end of the reporting period or in the normal course of the Group's operating cycle.

(v) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(w) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Financial instruments *(Continued)*

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other revenue".

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, prepayments and other receivables, loan receivables and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses.

An impairment loss is recognised in consolidated statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment losses were recognised, subject to a restriction that the carrying amount of the asset at the date the impairment losses reversed do not exceed what the amortised cost would have been had the impairment losses not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities (including trade and other payables, bank loans and other loans) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL

Equity instrument

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Financial instruments *(Continued)*

Derecognition (Continued)

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(x) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and is after deduction of any trade discounts.

(ii) Government grants

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

(iii) Interest income

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

(iv) Experiment fee income

Experiment fee income is recognised when the related experiment services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(y) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(z) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(aa) Related parties transactions

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

(a) A person or a close member of that person's family, is related to the Group, if 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 the Group's parent.

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

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) 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); or
- (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).

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

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(ab) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

4. ACCOUNTING ESTIMATES AND JUDGMENTS

The methods, estimates and judgments the directors use in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgments, on matters that are inherently uncertain. Notes 5 and 22 contain information about the assumptions and the risk factors relating to goodwill impairment and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Depreciation and amortisation

Property, plant and equipment and intangible assets except for development costs (see notes 19 and 21) are depreciated and amortised on a straight-line basis over their estimated useful lives. The Group annually reviews the useful life of an asset and its residual value, if any. The useful life is based on the Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(b) Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The directors estimate the net realisable value for finished goods and work-in-progress based primarily on the latest invoice prices and current market conditions. In addition, the directors perform an inventory review on a product-by-product basis at the end of each reporting period and assess the need for write down of inventories.

(c) Allowance for impairment of doubtful debts

Allowance for impairment of doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectability. A considerable level of judgment is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the allowance for impairment of doubtful debts would affect profit or loss in future years.

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4. ACCOUNTING ESTIMATES AND JUDGMENTS *(CONTINUED)*

(d) Impairment losses for property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are assessed at the end of each reporting period to identify indications that they may be impaired. If any such indication exists, the recoverable amount of the property, plant and equipment and intangible assets (including goodwill) is estimated. The recoverable amount of the property, plant and equipment and intangible assets is based on value-in-use calculations. These calculations are determined based on cash flow projections with reasonable assumptions that represent management's best estimate of the range of economic conditions over the remaining useful life of the assets. Changes in facts and circumstances may result in revisions to whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit of loss in future years.

(e) Capitalisation and amortisation of development costs

Costs incurred on development projects relating to the design and testing of new or improved airbag systems are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the costs can be measured reliably. It is normally referred to when the Group has signed sales contracts with automakers for the airbag systems under development, costs are identifiable and there is an ability to sell or use the airbag system that will generate probable future economic benefits. The determination of the commercial and technological feasibility of the project and the ability to sell or use the airbag system involves management's judgment and estimation. If there are significant changes from previous estimates, any write-off of capitalised development costs would affect profit or loss in future periods.

The development costs are amortised over the estimated life cycle of the relevant products. The Group annually reviews the estimated life cycle of the relevant products. The estimated life cycle is based on the Group's historical experience with similar products and taking into account anticipated market changes. The amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(f) Income taxes

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are transactions during the ordinary course of business, for which calculations of the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(g) Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in note 3 to the consolidated financial statements. The recoverable amounts of cash generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

4. ACCOUNTING ESTIMATES AND JUDGMENTS *(CONTINUED)*

(h) Impairment of intangible assets

The Group tests annually whether intangible assets have suffered any impairment in accordance with the accounting policy stated above. The recoverable amounts of intangible assets have been determined based on discounted cash flow method (note 21).

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, held-for-trading investments, cash and cash equivalents, trade and other payables, bank loans and other loans. Details of these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Categories of financial instruments

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Financial assets				
Loans and receivables				
(including cash and cash equivalents)	**338,505,008**	284,276,046	**389,541,978**	523,587,026
Held-for-trading investments	**19,622,500**	–	**19,622,500**	–
	358,127,508	284,276,046	**409,164,478**	523,587,026
Financial liabilities				
Amortised costs	**50,671,362**	133,918,603	**21,683,080**	21,617,035

Financial risk factors

The Group is exposed to a variety of financial risks: credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. The Group's exposure to these risks and financial risk management policies and practices used by the Group to manage these risks are described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(CONTINUED)*

(a) Credit risk

The Group's credit risk is primarily attributable to trade receivables, other receivables and loan receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. The Group generally grants a credit period of not more than 90 to 180 days from the date of billing. The Group may, on a case by case basis and after evaluation of the business relationship and credit worthiness, extend the credit period upon customers' request. Debtors with balances that are more than 12 months overdue are requested to settle all outstanding balance before any further credit is granted. Normally, the Group does not obtain collateral from customers.

At the end of the reporting period, the Group has a certain level of concentrations of credit risk as 0% (2013: 0%) and 72% (2013: 49%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

The Group does not provide any guarantee which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and bills receivable are set out in note 27 to the consolidated financial statements.

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(CONTINUED)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

The following table details the remaining contractual maturities at the end of the reporting period of the Group and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date of the Group and the Company can be required to pay:

The Group

As at 31 December 2014

	Weighted average effective interest rate %	On demand or less than 1 year HK$	Over 1 year HK$	Total undiscounted cash flow HK$	Total carrying amount HK$
Non-derivative financial liabilities					
Trade and other payables	–	33,145,028	–	33,145,028	33,145,028
Bank loans	5.05	18,411,136	–	18,411,136	17,526,334
		51,556,164	–	51,556,164	50,671,362

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(CONTINUED)*

(b) Liquidity risk *(Continued)*

The Company

As at 31 December 2014

	Weighted average effective interest rate %	On demand or less than 1 year HK$	Over 1 year HK$	Total undiscounted cash flow HK$	Total carrying amount HK$
Non-derivative financial liabilities					
Amounts due to subsidiaries	–	20,964,816	–	20,964,816	20,964,816
Other payables and accruals	–	718,264	–	718,264	718,264
		21,683,080	–	21,683,080	21,683,080

The Group

As at 31 December 2013

	Weighted average effective interest rate %	On demand or less than 1 year HK$	Over 1 year HK$	Total undiscounted cash flow HK$	Total carrying amount HK$
Non-derivative financial liabilities					
Trade and other payables	–	70,955,624	–	70,955,624	70,955,624
Bank loans	6.89	60,729,902	–	60,729,902	59,096,142
Other loans	10.00	4,148,257	–	4,148,257	3,866,837
		135,833,783	–	135,833,783	133,918,603

5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(CONTINUED)*

(b) Liquidity risk *(Continued)*

The Company

As at 31 December 2013

	Weighted average effective interest rate %	On demand or less than 1 year HK$	Over 1 year HK$	Total undiscounted cash flow HK$	Total carrying amount HK$
Non-derivative financial liabilities					
Amounts due to subsidiaries	–	20,967,035	–	20,967,035	20,967,035
Other payables and accruals	–	650,000	–	650,000	650,000
		21,617,035	–	21,617,035	21,617,035

(c) Currency risk

The Group has minimal exposures to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the respective subsidiaries. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(d) Interest rate risk

(i) Exposure to interest rate risk

The Group's exposure to the risk of changes in market interest rate relates primarily to its long-term interest-bearing bank loans. Borrowings at floating rates expose the Group to cash flow interest-rate risk.

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

(ii) Sensitivity analysis

If interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Group's loss for the year would decrease/increase by HK$62,500 (2013: the Group's loss for the year would decrease/increase by HK$211,268). This is mainly attributable to the Group's exposure to interest rates on its variable rate bank loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(CONTINUED)*

(e) Fair values

The fair value of financial assets and liabilities are determined as follows:

– the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

– the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

– the fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate to their fair value.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at 31 December 2014 HK$	Fair value as at 31 December 2013 HK$	Fair value hierarchy	Valuation technique and key inputs
Held-for-trading investments	19,622,500	–	Level 1	Quoted bid price in an active market

There were no transfers between Levels 1 and 2 in the both years.

6. SEGMENT INFORMATION

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

The Group is engaged in the principal business of production and sales of automotive related products. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment.

Information about products is set out in note 7 to the consolidated financial statements.

Information about geographical areas

As the Group's business fundamentally participates in one geographical location classified by the location of assets, i.e. the People's Republic of China (the "PRC"), no separate geographical information based on the location of assets is presented.

The Group's operations are mainly located in the PRC. All of the Group's turnover is derived from customers based in the PRC.

Information about major customers

For the year ended 31 December 2014, revenue generated from two (2013: three) customers of the Group amounting to HK$118,173,049 (2013: HK$152,965,552) has individually accounted for over 10% of the Group's total turnover. No other single customers contributed 10% or more to the Group's turnover for both 2014 and 2013.

Turnover from major customers of them amounted to 10% or more of the Group's turnover, are set out below:

	2014 **HK$**	2013 HK$
Customer A	**86,456,606**	66,029,415
Customer B	**31,716,443**	56,641,950
Customer C (note)	–	30,294,187

Note:

No information on turnover for the current year is disclosed for this customer since it contributed less than 10% to the Group's turnover for the year ended 31 December 2014.

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7. TURNOVER

The principal activities of the Group are design, research and development, manufacture and sale of automotive electronic products and automotive safety spare parts in the PRC.

Turnover recognised during the year was analysed as follows:

	2014	2013
	HK$	HK$
Sales of automotive safety system components and other automotive components	**153,162,359**	143,174,901
Sales of electronic airbag systems	**31,716,443**	56,646,046
	184,878,802	199,820,947

8. OTHER REVENUE

	2014	2013
	HK$	HK$
Bank interest income	**397,291**	250,722
Subsidy income (note)	**1,225,660**	5,442,371
Sub-contract income	**2,403,314**	2,772,234
Sundry income	**3,636,443**	6,091,190
	7,662,708	14,556,517

Note:

For the years ended 31 December 2014 and 2013, subsidy income mainly represents the reward for innovative and high-end technology enterprise in the PRC. Subsidy income received by the Group is recognised in the consolidated statement of profit or loss and other comprehensive income when received and no specific conditions have been required to fulfill. The subsidy income recognised during the year is non-recurring. There are no unfulfilled conditions or contingencies relating to this subsidy income.

9. OTHER LOSS, NET

	2014	2013
	HK$	HK$
Net foreign exchange (loss)/gain	**(529,037)**	237,696
Loss on disposal of property, plant and equipment	**(28,609)**	(5,393,008)
	(557,646)	(5,155,312)

10. RESEARCH AND DEVELOPMENT EXPENSES

	2014	2013
	HK$	HK$
Research and development costs incurred	**56,140,396**	55,715,121

11. FINANCE COSTS

	2014	2013
	HK$	HK$
Interest expenses on bank loans wholly repayable within a year	**2,607,717**	2,164,898
Interest expenses on other loans	–	470,506
Discounting charges on discounted bills receivable	**1,181,727**	1,402,187
	3,789,444	4,037,591

12. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2014	2013
	HK$	HK$
Auditors' remuneration	**600,000**	600,000
Staff costs		
– Salaries, wages and bonuses	**22,741,950**	22,340,385
– Contributions to retirement benefit schemes and welfare	**4,690,320**	6,317,513
Depreciation of property, plant and equipment (note 19)	**13,453,138**	14,956,029
Amortisation of leasehold land held for own use under operating leases (note 19)	**1,637,469**	1,641,598
Amortisation of intangible assets (note 21)		
– Development costs	–	16,834,224
– Patents	**4,606,071**	4,617,691
Operating lease charges in respect of rented properties	**656,474**	1,686,602
Impairment loss recognised on trade receivables	**3,814,579**	5,780,527
Realised loss on disposal of held-for-trading investments	**71,868**	–
Unrealised loss on fair value change in held-for-trading investments	**1,544,228**	–
	1,616,096	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. TAXATION

(a) Income tax recognised in profit or loss:

	2014	2013
	HK$	HK$
Current tax		
PRC enterprise income tax (note 25(a))	**237,033**	1,027,581
Deferred tax		
Reversal of temporary differences (note 25(b))	**(1,423,053)**	(2,180,334)
Total income tax credited to profit or loss	**(1,186,020)**	(1,152,753)

Pursuant to the income tax rules and regulations of the PRC, provision for PRC income tax of the Group is calculated based on the following rates:

	Note	**2014**	2013
Shenyang Jinheng Jinsida Automotive Electronic Co., Limited ("Jinheng Jinsida")	(i)	**25%**	25%
Beijing Jinheng Great Idea Automotive Electronic Systems Co., Limited ("Beijing Great Idea")	(i)	**25%**	25%
Troitec Automotive Electronics Co., Ltd ("Troitec")	(i)	**25%**	25%
Shanxi Avichina Jinheng Technology Limited (formerly known as "Shanxi Winner Auto-Parts Limited") ("Shanxi Jinheng")	(ii)	**15%**	15%
Tianjian Troitec Automotive Electronic Co., Ltd ("Tianjian Troitec")	(ii)	**15%**	15%

13. TAXATION *(CONTINUED)*

(a) Income tax recognised in profit or loss: *(Continued)*

Notes:

(i) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

(ii) Shanxi Jinheng and Tianjian Troitec are an "encouraged hi-tech enterprise" and entitles to reduce the tax rate to 15% from 2013 to 2016 and 2012 to 2014 respectively.

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax during the year.

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

Taxes on profits assessable in the PRC have been calculated at the prevailing rates, based on existing legislation, interpretations and practices in respect thereof.

(b) Reconciliation between income tax and accounting profit at applicable tax rates

	2014 **HK$**	2013 HK$
Loss before taxation	**(136,299,564)**	(101,619,683)
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**(29,287,425)**	(24,020,875)
Tax effect of non-deductible expenses	**16,598,435**	11,934,174
Tax effect of non-taxable revenue	**(796,723)**	(1,682,737)
Tax effect of tax concessions	**1,372,314**	1,673,503
Tax effect of unrecognised temporary differences and tax losses	**11,625,656**	12,425,466
Tax effect of share of profits of subsidiaries (note)	**(698,277)**	(1,482,284)
Taxation	**(1,186,020)**	(1,152,753)

Note:

Hong Kong enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 5% on dividends derived from sources in the PRC. Distributions of the pre-2008 earnings are exempted from the above-mentioned withholding tax. During the year ended 31 December 2014, withholding tax of HK$698,277 has been credited to the consolidated statement of profit or loss and other comprehensive income (2013: HK$1,482,284).

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14. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

Year ended 31 December 2014

	Fees HK$	Salaries, allowance and benefits in kind HK$	Discretionary bonuses HK$	Share-based payments HK$	Contributions to retirement benefit schemes HK$	Total HK$
Executive directors						
Mr. Li Feng	–	840,000	–	–	–	840,000
Mr. Xing Zhanwu	–	840,000	–	–	–	840,000
Mr. Yang Donglin (resigned on 2 September 2014)	–	173,433	–	–	–	173,433
Mr. Foo Tin Chung, Victor (resigned on 2 September 2014)	–	516,800	–	–	10,940	527,740
Mr. Wong Ka Ching (appointed on 13 June 2014)	–	172,000	–	–	6,000	178,000
Ms. Ng Sau Lin (appointed on 2 September 2014)	–	40,000	–	–	–	40,000
Mr. Lam Wai Hung (appointed on 2 September 2014)	–	119,000	–	–	–	119,000
Non-executive director						
Mr. Li Hong (resigned on 6 January 2014)	–	–	–	–	–	–
Independent non-executive directors						
Mr. Hui Hung Kwan	120,000	–	–	–	–	120,000
Mr. Zhu Tong (resigned on 2 September 2014)	53,780	–	–	–	–	53,780
Mr. Chen Li Zhou (resigned on 6 October 2014)	61,293	–	–	–	–	61,293
Mr. Wong Yuk Lun, Alan (appointed on 2 September 2014)	59,500	–	–	–	2,975	62,475
Mr. Lim Chi Kit (appointed on 6 October 2014)	42,581	–	–	–	2,129	44,710
Total	337,154	2,701,233	–	–	22,044	3,060,431

14. DIRECTORS' REMUNERATION *(CONTINUED)*

Details of directors' remuneration are as follows: *(Continued)*

Year ended 31 December 2013

	Fees HK$	Salaries, allowance and benefits in kind HK$	Discretionary bonuses HK$	Share-based payments HK$	Contributions to retirement benefit schemes HK$	Total HK$
Executive directors						
Mr. Li Feng	–	840,000	–	–	–	840,000
Mr. Xing Zhanwu	–	840,000	–	–	–	840,000
Mr. Yang Donglin (resigned on 2 September 2014)	–	258,000	–	–	–	258,000
Mr. Foo Tin Chung, Victor (resigned on 2 September 2014)	–	741,000	–	–	15,000	756,000
Non-executive director						
Mr. Li Hong (resigned on 6 January 2014)	210,000	–	–	–	–	210,000
Independent non-executive directors						
Mr. Zhu Tong (resigned on 2 September 2014)	80,004	–	–	–	–	80,004
Mr. Hui Hung Kwan	120,000	–	–	–	–	120,000
Mr. Chen Li Zhou (resigned on 6 October 2014)	80,004	–	–	–	–	80,004
Total	490,008	2,679,000	–	–	15,000	3,184,008

There were no amounts paid during the year to the directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

During the years ended 31 December 2014 and 2013, the executive director of the Company, Mr. Xing Zhanwu, was also the chief executive officer of the Company.

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15. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2013: four) are directors whose emoluments are disclosed in note 14. The aggregate of the emoluments in respect of the other individuals for the years ended 31 December 2014 and 2013 is as follows:

	2014	2013
	HK$	HK$
Salaries and other emoluments	**711,534**	420,000
Contributions to retirement benefit schemes	**17,484**	15,000
	729,018	435,000

The above individuals' emoluments in 2014 were within the band of HK$1 to HK$500,000.

There were no amounts paid during the year to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join.

During the years ended 31 December 2014 and 2013, emoluments paid by the Group to any of senior management all are within the band of HK$1 to HK$500,000.

16. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company includes a loss of HK$163,203,836 (2013: loss of HK$67,628,891) which has been dealt with in the financial statements of the Company.

17. DIVIDENDS

(a) Dividends attributable to the year

The directors do not recommend the payment of any dividends in respect of the years ended 31 December 2014 and 2013.

(b) Final dividends attributable to the previous financial year, approved and paid during the year

	2014	2013
	HK$	HK$
No final dividend in respect of the previous financial year, approved and paid during the year (2013: 1.5 HK cents per share)	–	7,675,783

18. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of HK$96,080,590 (2013: HK$62,824,918) and the weighted average of 587,626,170 (2013: 512,553,380) ordinary shares in issue during the year.

(b) Diluted loss per share

For the years ended 31 December 2014 and 2013, diluted loss per share are the same as the basic loss per share as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. FIXED ASSETS

The Group

	Buildings held for own use HK$	Machinery and equipment HK$	Motor vehicles HK$	Office equipment HK$	Sub-total HK$	Interests in leasehold land held for own use under operating leases HK$	Total HK$
Cost:							
As at 1 January 2013	21,530,700	74,010,286	11,833,196	12,052,461	119,426,643	43,427,060	162,853,703
Additions	33,945,305	8,614,604	341,791	1,624,626	44,526,326	–	44,526,326
Transfer from construction in progress (note 20)	–	38,736,316	–	–	38,736,316	–	38,736,316
Exchange alignment	1,190,677	3,115,072	175,395	351,842	4,832,986	1,306,269	6,139,255
Disposals	(118,752)	(3,528,848)	(5,927,623)	(6,739,490)	(16,314,713)	–	(16,314,713)
As at 31 December 2013 and 1 January 2014	56,547,930	120,947,430	6,422,759	7,289,439	191,207,558	44,733,329	235,940,887
Additions	736,220	6,683,703	–	837,402	8,257,325	–	8,257,325
Derecognised on disposal of subsidiaries (note 37)	(33,117,908)	(86,145,042)	(629,903)	(2,945,089)	(122,837,942)	(24,715,590)	(147,553,532)
Exchange alignment	(1,820,824)	(2,804,631)	(81,204)	(102,480)	(4,809,139)	(1,084,487)	(5,893,626)
Disposals	–	(58,361)	(154,243)	(21,700)	(234,304)	–	(234,304)
As at 31 December 2014	**22,345,418**	**38,623,099**	**5,557,409**	**5,057,572**	**71,583,498**	**18,933,252**	**90,516,750**
Accumulated depreciation:							
As at 1 January 2013	4,324,757	33,944,747	1,705,525	7,234,226	47,209,255	5,706,399	52,915,654
Charge for the year	2,115,943	10,908,335	1,058,178	873,573	14,956,029	1,641,598	16,597,627
Exchange alignment	209,744	1,137,583	63,261	157,869	1,568,457	(80,831)	1,487,626
Written back on disposal	(29,783)	(1,841,838)	(1,655,488)	(4,105,949)	(7,633,058)	–	(7,633,058)
As at 31 December 2013 and 1 January 2014	6,620,661	44,148,827	1,171,476	4,159,719	56,100,683	7,267,166	63,367,849
Charge for the year	2,303,975	9,868,109	531,179	749,875	13,453,138	1,637,469	15,090,607
Exchange alignment	(198,615)	(1,322,056)	(48,124)	(99,020)	(1,667,815)	89,412	(1,578,403)
Derecognised on disposal of subsidiaries (note 37)	(2,244,255)	(26,071,498)	(434,708)	(2,076,575)	(30,827,036)	(1,318,165)	(32,145,201)
Written back on disposal	–	(46,222)	(149,172)	(10,301)	(205,695)	–	(205,695)
As at 31 December 2014	**6,481,766**	**26,577,160**	**1,070,651**	**2,723,698**	**36,853,275**	**7,675,882**	**44,529,157**
Carrying amount							
As at 31 December 2014	**15,863,652**	**12,045,939**	**4,486,758**	**2,333,874**	**34,730,223**	**11,257,370**	**45,987,593**
As at 31 December 2013	49,927,269	76,798,603	5,251,283	3,129,720	135,106,875	37,466,163	172,573,038

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. FIXED ASSETS *(CONTINUED)*

(a) As at 31 December 2014, the Group's interests in leasehold land and buildings are held by a subsidiary in the PRC, which represent the land use rights together with the buildings thereon situated in Shanxi (2013: Shanxi and Tianjian) in the PRC.

(b) As at 31 December 2014, leasehold land with carrying amount of HK$11,257,370 (2013: HK$37,466,163) are situated outside Hong Kong under medium-term leases.

(c) As at 31 December 2014, the carrying amount of leasehold land and building of the Group pledged for the Group's bank loans amounted to HK$27,121,022 (2013: leasehold land and building HK$47,884,865)

20. CONSTRUCTION IN PROGRESS

The Group

	2014	2013
	HK$	HK$
Cost:		
As at 1 January	**81,826,184**	67,050,260
Exchange alignment	**(2,023,071)**	2,168,306
Additions	**12,751,854**	51,343,934
Derecognised on disposal of subsidiaries (note 37(b))	**(92,554,967)**	–
Transfer to fixed assets (note 19)	–	(38,736,316)
As at 31 December	–	81,826,184

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21. INTANGIBLE ASSETS

The Group

	Acquired technology HK$	Development costs HK$	Patents HK$	Total HK$
Cost:				
As at 1 January 2013	5,298,593	57,127,520	79,703,980	142,130,093
Exchange alignment	551,983	792,437	2,347,238	3,691,658
As at 31 December 2013 and 1 January 2014	5,850,576	57,919,957	82,051,218	145,821,751
Exchange alignment	(138,951)	(506,800)	(1,948,718)	(2,594,469)
Derecognised on disposal of subsidiaries	(5,711,625)	(10,488,823)	–	(16,200,448)
As at 31 December 2014	**–**	**46,924,334**	**80,102,500**	**127,026,834**
Accumulated amortisation:				
As at 1 January 2013	5,298,593	40,523,614	26,188,454	72,010,661
Exchange alignment	551,983	562,119	842,186	1,956,288
Charge for the year	–	16,834,224	4,617,691	21,451,915
As at 31 December 2013 and 1 January 2014	5,850,576	57,919,957	31,648,331	95,418,864
Exchange alignment	(138,951)	(506,800)	(780,435)	(1,426,186)
Charge for the year	–	–	4,606,071	4,606,071
Derecognised on disposal of subsidiaries	(5,711,625)	(10,488,823)	–	(16,200,448)
As at 31 December 2014	**–**	**46,924,334**	**35,473,967**	**82,398,301**
Carrying amount:				
As at 31 December 2014	**–**	**–**	**44,628,533**	**44,628,533**
As at 31 December 2013	–	–	50,402,887	50,402,887

Acquired technology comprises a non-refundable license fee was paid to KOR Electronic Technical Consultancy Limited ("KETC") in accordance with the License and Technical Assistance Agreement signed in January 2006, pursuant to which KETC agreed to supply technical services and granted a license to Jinheng Jinsida for use of the know-how for the production of electronic control units in the PRC. Acquired technology is amortised over the directors' estimated useful life of 5 years.

Development costs represent costs incurred to develop tailor-made safety airbag systems and engine management systems.

21. INTANGIBLE ASSETS *(CONTINUED)*

Patents represent the registration fee of technologies developed by Troitec Automotive Electronic Co., Ltd., which have been registered with the relevant government authorities to restrict the access of such technologies by third parties. The directors consider that the estimated useful life of the patents of Troitec Automotive Electronic Co., Ltd. to be 18 years.

As at 31 December 2014, the estimated useful life of the patents remained 10 years.

For the review of impairment, the carrying amount of patent has been allocated to cash generating unit of operating segment of the production and sales of automotive related products containing goodwill, its recoverable amount was determined based on value in use calculation. During the year ended 31 December 2014 and 2013, there was no indication for the impairment and no provision for impairment was recognised.

Amortisation charges for the year ended 31 December 2014 of HK$Nil (2013: HK$5,057,303) and HK$4,606,071 (2013: HK$16,394,612) are included in "cost of sales" and "research and development expenses" respectively.

22. GOODWILL

The Group

	2014	2013
	HK$	HK$
As at 1 January	**5,494,155**	5,336,984
Exchange alignment	**(130,486)**	157,171
As at 31 December	**5,363,669**	5,494,155

Impairment tests for cash-generating units containing goodwill

Goodwill acquired has been allocated to the cash generating unit ("CGU") of the single operating segment "Production and sales of automotive related products".

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGUs is determined by reference to the income approach, which is based on discounted cash flow sourced from the financial budgets approved by the management covering a 5-year period, and the discount rate of approximately 16.4% that reflects current market assessment of the time value of money and the risks specific to the CGU. Cash flows beyond 5 year period have been extrapolated using 3% growth rate per annum. The directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the unit to exceed its recoverable amount.

The recoverable amounts of the CGU are higher than their carrying amounts based on the income approach. Accordingly, no impairment loss on goodwill is recognised in the consolidated statement of profit or loss and other comprehensive income.

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23. INVESTMENTS IN SUBSIDIARIES

The Company

	2014 HK$	2013 HK$
Unlisted shares, at cost	**37,265,440**	37,265,316

(a) General information of subsidiaries

The details of the Group's material subsidiaries at the end of the reporting period are set out as below:

Name of company	Place of incorporation/ registration/ operations	Class of shares held	Paid up/ registered capital	Proportion of ownership interests held by the Company: Directly 2014 %	Directly 2013 %	Indirectly 2014 %	Indirectly 2013 %	Principle activities
Jinheng Engine Limited ("Jinheng Engine")	British Virgin Islands, limited liability company	Ordinary	US$1	**100**	100	–	–	Investment holding in Hong Kong
Auto Full International Limited ("Auto Full")	Hong Kong, limited liability company	Ordinary	HK$100	–	–	**100**	100	Investment holding in Hong Kong
Jinheng EMS (BVI) Limited ("Jinheng EMS (BVI)")	British Virgin Islands, limited liability company	Ordinary	US$1	**100**	–	–	100	Investment holding in Hong Kong
Smooth Ever Limited ("Smooth Ever")	British Virgin Islands, limited liability company	Ordinary	US$1	**100**	100	–	–	Investment holding in Hong Kong
First Able Group Limited ("First Able")	Hong Kong, limited liability company	Ordinary	HK$1	–	–	**100**	100	Investment holding in Hong Kong
Honest Bright Group Limited ("Honest Bright")	British Virgin Islands, limited liability company	Ordinary	US$1,000	–	–	**65.8**	65.8	Investment holding in Hong Kong

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23. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The Company

(a) *General information of subsidiaries (Continued)*

The details of the Group's material subsidiaries at the end of the reporting period are set out as below: *(Continued)*

Name of company	Place of incorporation/ registration/ operations	Class of shares held	Paid up/ registered capital	Proportion of ownership interests held by the Company				Principle activities
				Directly		Indirectly		
				2014 %	2013 %	**2014** %	2013 %	
Properline Investments Limited ("Properline")	Hong Kong, limited liability company	Ordinary	HK$1	–	–	**65.8**	65.8	Investment holding in Hong Kong
Sure Lucky Investments Limited ("Sure Lucky")	Hong Kong, limited liability company	Ordinary	HK$1	–	–	**65.8**	65.8	Investment holding in Hong Kong
Troitec Automotive Electronic Co., Ltd. ("Troitec")	The PRC, limited liability company	Registered and paid up capital	RMB82,270,400	–	–	**65.8**	65.8	Production and sales of automotive components in the PRC
Tai Tong Investments Limited ("Tai Tong")	British Virgin Islands, limited liability company	Ordinary	US$3	**100**	100	–	–	Investment holding in Hong Kong
Harvest Full International Limited ("Harvest Full")	Hong Kong, limited liability company	Ordinary	HK$1	–	–	**100**	100	Investment holding in Hong Kong
Shiny Bright Holdings Limited ("Shiny Bright")	British Virgin Islands, limited liability company	Ordinary	US$77,753	–	–	**65.8**	65.8	Investment holding in Hong Kong
Shanxi Avichina Jinheng Technology Limited (formerly known as "Shanxi Winner Auto-Parts Limited") ("Shanxi Jinheng")	The PRC, limited liability company	Registered and paid up capital	RMB30,040,000	–	–	**60**	60	Production and sales of automotive components in the PRC

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23. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The Company

(a) General information of subsidiaries (Continued)

The details of the Group's material subsidiaries at the end of the reporting period are set out as below: *(Continued)*

Name of company	Place of incorporation/ registration/ operations	Class of shares held	Paid up/ registered capital	Proportion of ownership interests held by the Company				Principle activities
				Directly		Indirectly		
				2014 %	2013 %	**2014** %	2013 %	
Winner Investment Limited ("Winner Investment")	Hong Kong, limited liability company	Ordinary	HK$10,000	–	–	**100**	100	Investment holding in Hong Kong
Auto Dream Limited (note (i))	British Virgin Islands, limited liability company	Ordinary	US$1	**100**	–	–	–	Investment holding in Hong Kong
Easy Task Global Limited (note (i))	British Virgin Islands, limited liability company	Ordinary	US$1	**100**	–	–	–	Investment holding in Hong Kong
Bright Ample Limited (note (i))	Hong Kong, limited liability company	Ordinary	HK$1	–	–	**100**	–	Investment holding in Hong Kong
Sunlight Management Limited (note (i))	Hong Kong, limited liability company	Ordinary	HK$1	–	–	**100**	–	Investment holding in Hong Kong
Splendid Best International Limited (note (i))	Hong Kong, limited liability company	Ordinary	HK$1	–	–	**100**	–	Investment holding in Hong Kong
Uprise Rich International Limited (note (i))	Hong Kong, limited liability company	Ordinary	HK$1	–	–	**100**	–	Investment holding in Hong Kong

Note:

(i) These companies were incorporated during the year ended 31 December 2014.

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23. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The Company

(b) Detail of non-wholly owned subsidiaries that have material non-controlling interests

Name of company	Place of incorporation, registration and operation	Proportion of ownership interests held by non-controlling interests		Proportion of voting rights held by non-controlling interests		(Loss)/profits allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013	2014	2013
		%	%	**%**	%	**HK$**	HK$	HK$	HK$
Shanxi Jinheng	The PRC	**40**	40	**40**	40	**(13,758,046)**	133,072	**25,498,559**	39,256,605
Troitec	The PRC	**34.2**	34.2	**48.8**	48.8	**(31,189,673)**	(17,287,993)	**(34,695,321)**	(1,521,610)
Individually immaterial subsidiaries with non-controlling interests								**(22,609,463)**	(15,278,186)
								(31,806,225)	22,456,809

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Shanxi Jinheng

	2014	2013
	HK$	HK$
Current assets	**63,151,775**	101,183,665
Non-current assets	**40,164,491**	42,686,119
Current liabilities	**(40,075,181)**	(46,669,305)
Non-current liabilities	**(249,796)**	(341,650)
Equity attributable to owners of the Company	**37,794,773**	58,115,297
Non-controlling interests	**25,196,516**	38,743,532

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23. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The Company

(b) Detail of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Shanxi Jinheng	2014 HK$	2013 HK$
Revenue	**45,280,345**	95,465,914
Expenses	**(58,555,033)**	(91,085,279)
(Loss)/profit for the year	**(13,274,688)**	4,380,635
(Loss)/profit attributable to owners of the Company	**(7,964,813)**	2,628,381
(Loss)/profit attributable to owners of the non-controlling interests	**(5,309,875)**	1,752,254
(Loss)/profit for the year	**(13,274,688)**	4,380,635
Total comprehensive (loss)/income attributable to owners of the Company	**(8,617,451)**	4,957,332
Total comprehensive (loss)/income attributable to owners of the non-controlling interests	**(5,744,967)**	3,304,887
Total comprehensive (loss)/income for the year	**(14,362,418)**	8,262,219
Dividend paid to non-controlling interests	**7,500,000**	2,560,819
Net cash inflow from operating activities	**27,624,213**	11,267,595
Net cash outflow from investing activities	**(1,698,083)**	(2,966,035)
Net cash outflow from financing activities	**(25,373,016)**	(11,689,151)
Net cash inflow/(outflow)	**553,114**	(3,387,591)

23. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The Company

(b) Detail of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Troitec

	2014 HK$	2013 HK$
Current assets	**36,434,775**	24,763,247
Non-current assets	**51,489,849**	58,228,190
Current liabilities	**(144,952,073)**	(71,658,638)
Non-current liabilities	**(14,069,521)**	(14,450,853)
Equity attributable to owners of the company	**(36,401,649)**	(1,596,444)
Non-controlling interests	**(34,695,321)**	(1,521,610)
Revenue	**13,226,675**	6,733,083
Expenses	**(77,139,939)**	(42,159,299)
Loss for the year	**(63,913,264)**	(35,426,216)
Loss attributable to owners of the Company	**(32,723,591)**	(18,138,223)
Loss attributable to owners of the non-controlling interests	**(31,189,673)**	(17,287,993)
Loss for the year	**(63,913,264)**	(35,426,216)
Total comprehensive loss attributable to owners of the Company	**(34,805,204)**	(16,301,795)
Total comprehensive loss attributable to owners of the non-controlling interests	**(33,173,711)**	(15,537,648)
Total comprehensive loss for the year	**(67,978,915)**	(31,839,443)
Net cash inflow from operating activities	**2,890,006**	6,503,721
Net cash inflow/(outflow) from investing activities	**303**	(32,415,393)
Net cash inflow from financing activities	**–**	22,000,000
Net cash inflow/(outflow)	**2,890,309**	(3,911,672)

Significant restrictions

Cash and short-term deposits of RMB held in the PRC are subject to local exchange control regulations. These local exchange control regulations result in restrictions on exporting capital from the PRC, other than through normal dividends.

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24. INTERESTS IN AN ASSOCIATE

The Group

Details of the Group's interests in an associate are as follows:

	2014 HK$	2013 HK$
Cost of investment in an associate, unlisted	**40,000,000**	40,000,000
Amount due from an associate (note)	**7,515,200**	7,515,200
Share of post-acquisition loss and other comprehensive income, net of dividend received	**(12,054,957)**	(5,784,957)
	35,460,243	41,730,243

Note:

The amount due from an associate is unsecured, interest-free and have no fixed terms for repayment.

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interests held by the Group %	Proportion of voting rights held by the Group %	Principal activities
Ever Tech Holdings Limited ("Ever Tech")	Limited liability company	British Virgin Islands	PRC	Ordinary	30	30	Investment holding

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

Associate is accounted for using the equity method in the consolidated financial statements.

	2014 HK$	2013 HK$
Current assets	**10,000,000**	10,000,000
Non-current assets	**3,163,433**	24,063,433
Current liabilities	**(10,704,565)**	(10,704,565)
Non-current liabilities	**–**	–
Revenue	**–**	–
Loss for the year	**20,900,000**	26,358,127
Other comprehensive loss for the year	**–**	–
Total comprehensive loss for the year	**20,900,000**	26,358,127
Dividend received from the associate during the year	**–**	–

24. INTERESTS IN AN ASSOCIATE *(CONTINUED)*

Reconciliation of the above summarised financial information to the carrying amount of the interests in the associate recognised in the consolidated financial statements:

	2014	2013
	HK$	HK$
Net assets of an associate	**2,458,868**	23,358,868
Proportion of ownership interests in Ever Tech held by the Group	**30%**	30%
	737,660	7,007,660
Effect of fair value adjustments at acquisition	**34,722,583**	34,722,583
Carrying amount of ownership interests in Ever Tech held by the Group	**35,460,243**	41,730,243

25. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current tax payable in the consolidated statement of financial position represents:

The Group

	2014	2013
	HK$	HK$
As at 1 January	**–**	379,541
Provision for PRC income tax for the year (note 13)	**237,033**	1,027,581
PRC income tax paid	**(141,815)**	(1,407,122)
As at 31 December	**95,218**	–

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25. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

(b) Deferred tax (assets)/liabilities recognised

The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Development costs HK$	Acquired technology and patents HK$	Fixed assets HK$	Tax losses HK$	Unremitted earnings HK$	Others HK$	Total HK$
As at 1 January 2013	4,348,349	15,093,125	1,773,361	(4,620,370)	1,548,499	3,514,774	21,657,738
Charged/(credited) to consolidated statement of profit or loss and other comprehensive income (note 13)	(257,626)	(577,212)	(66,324)	–	(1,482,283)	203,111	(2,180,334)
Exchange alignment	139,592	461,064	91,677	(136,070)	–	90,599	646,862
As at 31 December 2013 and 1 January 2014	4,230,315	14,976,977	1,798,714	(4,756,440)	66,216	3,808,484	20,124,266
Credited to consolidated statement of profit or loss and other comprehensive income (note 13)	–	(575,760)	(64,749)	–	(698,277)	(84,267)	(1,423,053)
Derecognised on disposal of subsidiaries (note 37)	–	–	–	–	1,199,225	(3,384,494)	(2,185,269)
Exchange alignment	(100,470)	181,933	(81,742)	112,965	–	(89,925)	22,761
As at 31 December 2014	**4,129,845**	**14,583,150**	**1,652,223**	**(4,643,475)**	**567,164**	**249,798**	**16,538,705**

Others represent temporary differences arising from different expense recognition criteria between accounting and tax basis.

	2014 HK$	2013 HK$
Net deferred tax liabilities recognised on the consolidated statement of financial position	**16,538,705**	20,124,266

25. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 3, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$29,522,418 (2013: HK$46,920,594) as it is not probable the future taxable profits against which the losses can be utilised will be available in relevant tax jurisdiction and entity. The tax losses will expire in the coming two to five years. (2013: two to five years)

There were no unrecognised deferred taxation for the Company as at 31 December 2014 and 2013.

26. INVENTORIES

	The Group	
	2014	2013
	HK$	HK$
Raw materials	**22,310,826**	27,075,839
Work-in-progress	**986,907**	2,934,863
Finished goods	**2,750,282**	15,630,154
Spare parts and consumables	–	703,167
	26,048,015	46,344,023

The amount of inventories recognised as an expense amounted to HK$153,661,699 during the year ended 31 December 2014 (2013: HK$174,968,293).

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27. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Trade receivables	**58,735,891**	73,693,978	–	–
Less: allowance for doubtful debts	**(10,027,268)**	(6,212,689)	–	–
	48,708,623	67,481,289	–	–
Bills receivable	**27,887,024**	82,000,829	–	–
	76,595,647	149,482,118	–	–
Amounts due from subsidiaries	–	–	**225,164,986**	523,587,026
Deposits and prepayments	**47,945,472**	24,537,413	**41,880,107**	269,058
Other receivables	**123,565,812**	82,831,550	**26,500,000**	–
	248,106,931	256,851,081	**293,545,093**	523,856,084

The amounts due from subsidiaries are unsecured, interest free and recoverable on demand.

As at 31 December 2014, HK$5,026,334 (2013: HK$16,842,621) of bills receivable were pledged to the banks to secure short-term bank loans as set out in note 32 to the consolidated financial statements. All the bills receivable will be matured within six months (2013: six months) after the end of the reporting period. All the bills receivable are denominated in RMB.

As at 31 December 2014, HK$30,000,000 (2013: HK$Nil) included in other receivables was related to the consideration from the disposal of a subsidiary (Tianjian Troitec (note 37(b)), and HK$65,194,685 (2013: HK$Nil) was related to other receivables from the disposed subsidiaries. Such other receivables from the disposed subsidiaries has been settled before the date of this report.

All of the trade receivables, bills receivable and other receivables (including the amounts due from subsidiaries) are expected to be recovered within one year.

27. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES *(CONTINUED)*

(a) Ageing analysis

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

	The Group	
	2014	2013
	HK$	HK$
Within 3 months	**28,026,531**	59,784,086
Over 3 months but less than 6 months	**20,681,916**	2,376,687
Over 6 months but less than 12 months	**176**	5,230,087
Over 12 months	**–**	90,429
	48,708,623	67,481,289

Trade receivables are due within 90 to 180 days from the date of billing. Further details on the Group's credit policy are set out in note 5.

(b) Impairment of trade receivables

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

The ageing analysis of the Group's trade receivables which are impaired is presented as follows:

	The Group	
	2014	2013
	HK$	HK$
Overdue by:		
Over 12 months	**10,027,268**	6,212,689

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31 December 2014

27. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES *(CONTINUED)*

(b) Impairment of trade receivables *(Continued)*

The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	The Group	
	2014	2013
	HK$	HK$
As at 1 January	**6,212,689**	432,162
Impairment loss recognised	**3,814,579**	5,780,527
As at 31 December	**10,027,268**	6,212,689

As at 31 December 2014, the Group's trade receivables of HK$10,027,268 (2013: HK$6,212,689) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties. Consequently, specific allowances for doubtful debts of HK$10,027,268 (2013: HK$6,212,689) were recognised. The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

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

	The Group	
	2014	2013
	HK$	HK$
Neither past due nor impaired	**28,026,531**	59,784,086
Overdue by:		
Less than 3 months	**20,681,916**	2,376,687
Over 3 months but less than 12 months	**176**	5,230,087
Over 12 months	**–**	90,429
	20,682,092	7,697,203
Total	**48,708,623**	67,481,289

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES *(CONTINUED)*

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

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

Trade 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, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

28. LOAN RECEIVABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Current portion	**33,000,000**	11,000,400	**33,000,000**	–

The amount is neither past due nor impaired for whom there was no history of default.

The effective interest rates on the Group's loan receivables are ranged from 5% to 12% (2013: 2.5%).

As at 31 December 2014, all loans were advanced to independent third parties, comprising (i) a loan of HK$16,000,000 carries interest at 5% per annum and repayable on 30 June 2015, and (ii) a loan of HK$17,000,000 carries interest at 12% per annum and repayable on 14 July 2015.

As at 31 December 2013, a loan of HK$11,000,400 was advanced to Ever Tech. The loan receivable carries interest at 2.5% per annum and is recoverable on demand. The loan receivable is secured by the 34.2% equity interests in Honest Bright held by Ever Tech. This loan receivable was settled during the year ended 31 December 2014.

29. HELD-FOR-TRADING INVESTMENTS

	The Group and the Company	
	2014	2013
	HK$	HK$
Listed securities:		
Equity securities listed in Hong Kong, at fair value	**19,622,500**	–

Held-for-trading investments are stated at fair values which are determined with reference to quoted market bid prices.

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30. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Cash and cash equivalents in the statement of financial position and statement of cash flows	**105,343,549**	40,961,978	**104,876,992**	1,538,293

Cash and cash equivalents of the Group of HK$304,792 (2013: HK$36,218,771) are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

31. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Trade payables	**18,780,600**	41,305,705	**–**	–
Amounts due to subsidiaries	**–**	–	**20,964,816**	20,967,035
Other payables and accruals	**14,364,428**	29,649,919	**718,264**	650,000
	33,145,028	70,955,624	**21,683,080**	21,617,035

As at 31 December 2014, the amount due to an associate of HK$Nil (2013: HK$10,000,000) is included in other payables and accruals (see note 39(b)).

As at 31 December 2013, included in other payables are deferred income of HK$639,725 and HK$460,948 related to government grant received for subsidising the construction of production plants of product development of subsidiaries in Beijing and Tianjian respectively, the PRC. No deferred income is included in other payables as at 31 December 2014.

The amounts due to subsidiaries were unsecured, interest free and repayable on demand.

All of the trade and other payables are expected to be settled within one year.

31. TRADE AND OTHER PAYABLES *(CONTINUED)*

An ageing analysis of trade payables is as follows:

	The Group	
	2014	2013
	HK$	HK$
Within 3 months	**8,476,255**	30,084,002
Over 3 months but less than 6 months	**2,574,862**	3,334,977
Over 6 months but less than 12 months	**543,925**	3,843,942
Over 12 months	**7,185,558**	4,042,784
	18,780,600	41,305,705

32. BORROWINGS

	The Group	
	2014	2013
	HK$	HK$
Bank loans (notes (a) and (b))	**17,526,334**	59,096,142
Other loans (note (c))	**–**	3,866,837
	17,526,334	62,962,979
Secured (notes (a) and (b))	**17,526,334**	59,096,142
Unsecured (note (c))	**–**	3,866,837
	17,526,334	62,962,979
Carrying amount repayable:		
On demand or within one year	**17,526,334**	62,962,979
Less: amounts shown under current liabilities	**(17,526,334)**	(62,962,979)
	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32. BORROWINGS *(CONTINUED)*

As at 31 December 2014 and 2013, terms of bank loans were summarised as follows:

(a) As at 31 December 2014, the short-term secured bank loan of HK$12,500,000 carries interest rate of 6.00% per annum. As at 31 December 2013, the short-term secured bank loans of HK$12,804,097, HK$23,047,375 and HK$6,402,049 carry interest rates of 6.00%, 6.96% and 7.20% per annum respectively.

As at 31 December 2014, the loan was secured by Group's leasehold land and building of HK$27,121,022 (2013: leasehold land and building of HK$47,884,865).

(b) Included in short-term secured bank loans are discounted bills with recourse of HK$5,026,334 (2013: HK$16,842,621) are secured by the related bills receivable.

(c) As at 31 December 2013, other loans of HK$3,866,837 were obtained from independent third parties, which were unsecured, repayable within one year and carry interest rate of 10% per annum.

Further details of the Group's management of liquidity risk are set out in note 5.

33. EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Shanxi, Beijing, Shenyang and Tianjian, whereby the Group is required to make contributions to the Schemes at the rate of 20% of the eligible employees' salaries.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

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

34. SHARE OPTION SCHEME

The 2009 Share Option Scheme was adopted by the shareholders of the Company in the 2008 annual general meeting held on 19 June 2009 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company to a maximum of 44,350,000 shares. This share option scheme shall be valid and effective for a period of 10 years ending on 19 June 2019 after which no further options will be granted. The exercise price of options may be determined by the board at its absolute discretion but in any event will not be less than the higher of:

(i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day;

(ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five consecutive business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

No options had been granted or remained outstanding for each of the years ended 31 December 2014 and 2013.

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35. CAPITAL AND RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital HK$	Share premium HK$	Capital reserve HK$	Retained profits HK$	Total HK$
As at 1 January 2013	5,138,489	249,722,557	(302,640)	362,338,286	616,896,692
Loss for the year	–	–	–	(67,628,891)	(67,628,891)
Repurchase and cancellation of ordinary shares (note (i))	(21,300)	(830,700)	302,640	–	(549,360)
Dividend paid during the year	–	–	–	(7,675,783)	(7,675,783)
As at 31 December 2013 and 1 January 2014	5,117,189	248,891,857	–	287,033,612	541,042,658
Loss for the year	–	–	–	(163,203,836)	(163,203,836)
Placing of ordinary shares during the year (note (ii))	2,251,020	89,018,850	–	–	91,269,870
Transaction costs attributable to the placing of ordinary shares	–	(2,481,747)	–	–	(2,481,747)
As at 31 December 2014	**7,368,209**	**335,428,960**	**–**	**123,829,776**	**466,626,945**

Notes:

(i) During the year ended 31 December 2013, the Company repurchased a total of 1,354,000 ordinary shares of the Company by the amount of HK$501,550 and 2,130,000 ordinary shares were cancelled on 23 May 2013.

(ii) On 9 July 2014, the Company, through a placing agent, placed 102,300,000 ordinary shares of HK$0.01 each at a placing price of HK$0.37 for a total consideration, before expenses, of HK$37,851,000, which is intended to be used for general working capital of the Group.

On 14 October 2014, the Company, through a placing agent, placed 122,802,000 ordinary shares of HK$0.01 each at a placing price of HK$0.435 for a total consideration, before expenses, of HK$53,418,870, which is intended to be used for future business operations, expansion, development and potential investment (including but not limited to the possible formation of a joint venture company) and/or general working capital of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

35. CAPITAL AND RESERVES *(CONTINUED)*

(a) Share capital

(i) Authorised and issued share capital

	2014		2013	
	Number of shares	**HK$**	Number of shares	HK$
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000,000**	**100,000,000**	10,000,000,000	100,000,000
Issued:				
As at 1 January	**511,718,888**	**5,117,189**	513,848,888	5,138,489
Placing of ordinary shares	**225,102,000**	**2,251,020**	–	–
Cancellation of ordinary shares	**–**	**–**	(2,130,000)	(21,300)
As at 31 December	**736,820,888**	**7,368,209**	511,718,888	5,117,189

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Company Law of Cayman Islands.

(ii) Statutory surplus reserve

The subsidiaries in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting rules and regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of their registered capital.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

35. CAPITAL AND RESERVES *(CONTINUED)*

(b) Nature and purpose of reserves *(Continued)*

(iv) Other reserve

Other reserve of the Group comprises the following:

- the fair value of existing share of net identifiable assets of a jointly controlled entity or an associate acquired over its carrying amount of net identifiable assets of subsidiaries at date of which control is obtained by the Group;

- the excess of purchase consideration on acquisition of non-controlling interests over the carrying value of share of net assets acquired in accordance with the accounting policy adopted for subsidiaries and non-controlling interests; and

- gain on deemed disposal or partial disposal of subsidiaries where the Group's interest in a subsidiary is increased without losing control in accordance with the accounting policy adopted for subsidiaries and non-controlling interests.

(c) Distributability of reserves

The Company had distributable reserves of HK$459,258,736 as at 31 December 2014 (2013: HK$535,925,469), which include the Company's share premium and retained profits.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. Net debt is calculated as aggregate of bank loans, convertible notes and other loans less cash and cash equivalents. Adjusted capital comprises all components of equity and convertible preferred shares.

During year ended 31 December 2014, the Group has complied with all the externally imposed capital requirements. The Group also has a strategy to maintain the net debt-to-adjusted capital ratio at or below 60% (2013: 60%).

35. CAPITAL AND RESERVES *(CONTINUED)*

(d) Capital management *(Continued)*

The net debt-to-adjusted capital ratio at 31 December 2014 was as follows:

		The Group		The Company	
		2014	2013	**2014**	2013
	Note	**HK$**	HK$	**HK$**	HK$
Bank loans	32	**17,526,334**	59,096,142	–	–
Other loans	32	–	3,866,837	–	–
		17,526,334	62,962,979	–	–
Less: Cash and cash equivalents	30	**(105,343,549)**	(40,961,978)	**(104,876,992)**	(1,538,293)
Net debt		**(87,817,215)**	22,001,001	**(104,876,992)**	(1,538,293)
Total equity		**496,982,622**	576,591,431	**466,626,945**	541,042,658
Net debt-to-adjusted capital ratio		**N/A**	3.82%	**N/A**	N/A

36. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARY

During the year ended 31 December 2013, the Group acquired 30% equity interests in Ever Tech from an independent third party for a cash consideration of HK$40,000,000. The Group then increased its ownership in Honest Bright from 51.2% to 65.8%. The Group recognised a decrease in non-controlling interests of HK$17,746,286 and decrease in other reserve of HK$17,746,286 respectively. There was no change in ownership interests in subsidiary during the year ended 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

37. DISPOSAL OF SUBSIDIARIES

(a) In May 2014, the Company entered into a sale and purchase agreement that the Company agreed to sell the entire issued share capital of Jinheng Automotive Electronic (BVI) Limited and its wholly owned subsidiaries, including Jinheng Automotive Electronic (Hong Kong) Limited, Shenyang Jinheng Jinsida Automotive Electronic Co., Ltd., Great Idea Group Limited, Beijing Jinheng Great Idea Automotive Electronic Systems Co., Ltd. and Jay Trumps Investments Limited (collectively referred to as the 'Jinheng Electronic BVI Group') with a consideration of HK$30,000,000. The disposal was completed on 30 September 2014.

Summary of the effects of the disposal of Jinheng Electronic BVI Group are as follows:

	HK$
Net assets disposed of:	
Property, plant and equipment	38,320,244
Inventories	95,034
Trade receivables, prepayments and other receivables	24,268,915
Cash and cash equivalents	1,631,552
Trade and other payables	(13,626,466)
Deferred tax liabilities (note 25(b))	(2,185,269)
	48,504,010
Release of statutory surplus reserve	(220,236)
Release of exchange reserve	(10,888,084)
Release of other reserve	(18,241)
Loss on disposal	(7,377,449)
Consideration received in cash and cash equivalents for disposal of Jinheng Electronic BVI Group	30,000,000

Net cash inflow on disposal of Jinheng Electronic BVI Group:

	HK$
Consideration received in cash and cash equivalents for disposal of Jinheng Electronic BVI Group	30,000,000
Less: cash and cash equivalent balances disposed of	(1,631,552)
	28,368,448

The loss on disposal is included in the loss for the year in the consolidated statement of profit or loss and other comprehensive income. For the period from 1 January 2014 to the date of disposal, Jinheng Electronic BVI Group was engaged in production and sales of automotive electronic products in the PRC. Turnover of HK$Nil and loss of HK$4,889,252 contributed by Jinheng Electronic BVI Group was recognised in the Group's loss for the year ended 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) On 31 December 2014, an indirect non-wholly owned subsidiary of the Company, Troitec, entered into a sale and purchase agreement and agreed to sell all 80% equity interests in Tianjian Troitec Automotive Electronics Co., Ltd. ("Tianjian Troitec") held by Troitec, with a consideration of RMB24,000,000 (equivalent to approximately HK$30,000,000). The disposal was completed on 31 December 2014.

Summary of the effects of the disposal of Tianjian Troitec are as follows:

	HK$
Net assets disposed of:	
Property, plant and equipment	53,690,662
Interests in leasehold land held for own use under operating leases	23,397,425
Deposits paid for acquisition of property, plant and equipment	1,880,989
Construction in progress	92,554,967
Inventories	10,885,725
Trade receivables, prepayments and other receivables	39,815,228
Cash and cash equivalents	1,670,072
Trade and other payables	(141,571,168)
Bank loans	(45,000,000)
	37,323,900
Release of exchange reserve	(951,411)
Release of non-controlling interests	(6,473,632)
Gain on disposal	101,143
Consideration receivable from disposal of Tianjian Troitec	30,000,000

Net cash outflow on disposal of Tianjian Troitec:

	HK$
Cash and cash equivalent balances disposed of	(1,670,072)

The gain on disposal is included in the loss for the year in the consolidated statement of profit or loss and other comprehensive income. For the period from 1 January 2014 to the date of disposal, Tianjian Troitec was engaged in production and sales of automotive components in the PRC. Turnover of HK$130,257,248 and loss of HK$601,214 contributed by Tianjian Troitec was recognised in the Group's loss for the year ended 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

38. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments outstanding at 31 December 2014 and 2013 not provided for in the consolidated financial statements were as follows:

	The Group	
	2014	2013
	HK$	HK$
Contracted for property, plant and equipment but not provide for	–	5,602,461

(b) At 31 December 2014 and 2013, the total future minimum lease payments under non-cancellable operating lease were payable as follows:

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$	HK$	**HK$**	HK$
Within 1 year	**280,000**	416,232	**280,000**	416,232
After 1 year but within 5 years	–	219,678	–	219,678
	280,000	635,910	**280,000**	635,910

39. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in the consolidated financial statements, the Group entered into the following material related party transactions during the year.

(a) Compensation to key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 14 and certain of the highest paid employee as disclosed in note 15, is as follows:

	The Group	
	2014	2013
	HK$	HK$
Short-term employee benefits	**3,749,921**	3,589,008
Post-employment benefits	**39,528**	30,000
	3,789,449	3,619,008

Total remuneration is included in "staff costs" (note 12).

39. MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Amounts due to an associate

	The Group	
	2014	2013
	HK$	HK$
Ever Tech	–	10,000,000

The amount due to Ever Tech is unsecured, interest free and are expected to be settled within one year. This amount is included in "trade and other payables" in the consolidated statement of financial position (note 31).

40. CONTINGENT LIABILITIES

As at 31 December 2014 and 2013, the Group and the Company did not have any significant contingent liabilities.

41. EVENTS AFTER THE REPORTING PERIOD

On 28 January 2015, the Company had granted a total of 44,000,000 share options to certain Directors and staff of the Company. Details of which are set out in the announcement dated 28 January 2015.

On 16 February 2015, the Group had acquired 20 premium cars (including classic cars) at a total consideration of HK$65 million for the new business of investment and trading of premium cars. Details of which are set out in the announcement dated 16 February 2015.

On 13 March 2015, the Group had acquired 18% equity interests in More Cash Limited at a consideration of HK$73 million, in order for the Group to tap into the property market in the PRC. Details of which are set out in the announcements dated 13 March 2015 and 16 March 2015.

On 25 March 2015, the Group has entered into an agreement to acquire 5% equity interests in Grand Vision Communications Limited, which is engaged in the operation of advertising business, at a consideration of HK$5.5 million.

Saved as disclosed above, there are no subsequent events occurred after 31 December 2014, which may have a significant effect, on the assets and liabilities of future operations of the Group.

42. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 March 2015.

FIVE YEARS SUMMARY

For the year ended 31 December 2014

	2010 HK$	2011 HK$	2012 HK$	2013 HK$	**2014** **HK$**
OPERATING RESULTS					
Turnover	815,690,559	290,767,562	261,047,793	199,820,947	**184,878,802**
Profit/(loss) before taxation	674,418,187	15,805,430	(5,422,924)	(101,619,683)	**(136,299,564)**
Taxation	(11,901,712)	(4,353,806)	(33,856,646)	1,152,753	**1,186,020**
Profit/(loss) for the year	662,516,475	11,451,624	(39,279,570)	(100,466,930)	**(135,113,544)**
Attributable to:					
Owners of the Company	665,489,888	8,169,030	(33,571,296)	(62,824,918)	**(96,080,590)**
Non-controlling interests	(2,973,413)	3,282,594	(5,708,274)	(37,642,012)	**(39,032,954)**
Profit/(loss) for the year	662,516,475	11,451,624	(39,279,570)	(100,466,930)	**(135,113,544)**
Earnings/(loss) per share					
– Basic	1.38 dollars	1.59 cents	(6.53) cents	(12.26) cents	**(16.35) cents**
– Diluted	1.36 dollars	1.59 cents	(6.53) cents	(12.26) cents	**(16.35) cents**
Assets and liabilities					
Non-current assets	248,931,390	211,480,703	343,701,997	375,476,818	**132,166,912**
Net current assets	476,378,000	537,103,069	346,331,958	221,238,879	**381,354,415**
Total assets less current liabilities	725,309,390	748,583,772	690,033,955	596,715,697	**513,521,327**
Non-current liabilities	(18,264,613)	(20,965,558)	(21,657,738)	(20,124,266)	**(16,538,705)**
NET ASSETS	707,044,777	727,618,214	668,376,217	576,591,431	**496,982,622**
Capital and reserves					
Share capital	5,138,489	5,138,489	5,138,489	5,117,189	**7,368,209**
Reserves	659,965,776	670,030,895	627,507,330	549,017,433	**521,420,638**
Total equity attributable to owners of the Company	665,104,265	675,169,384	632,645,819	554,134,622	**528,788,847**
Non-controlling interests	41,940,512	52,448,830	35,730,398	22,456,809	**(31,806,225)**
TOTAL EQUITY	707,044,777	727,618,214	668,376,217	576,591,431	**496,982,622**