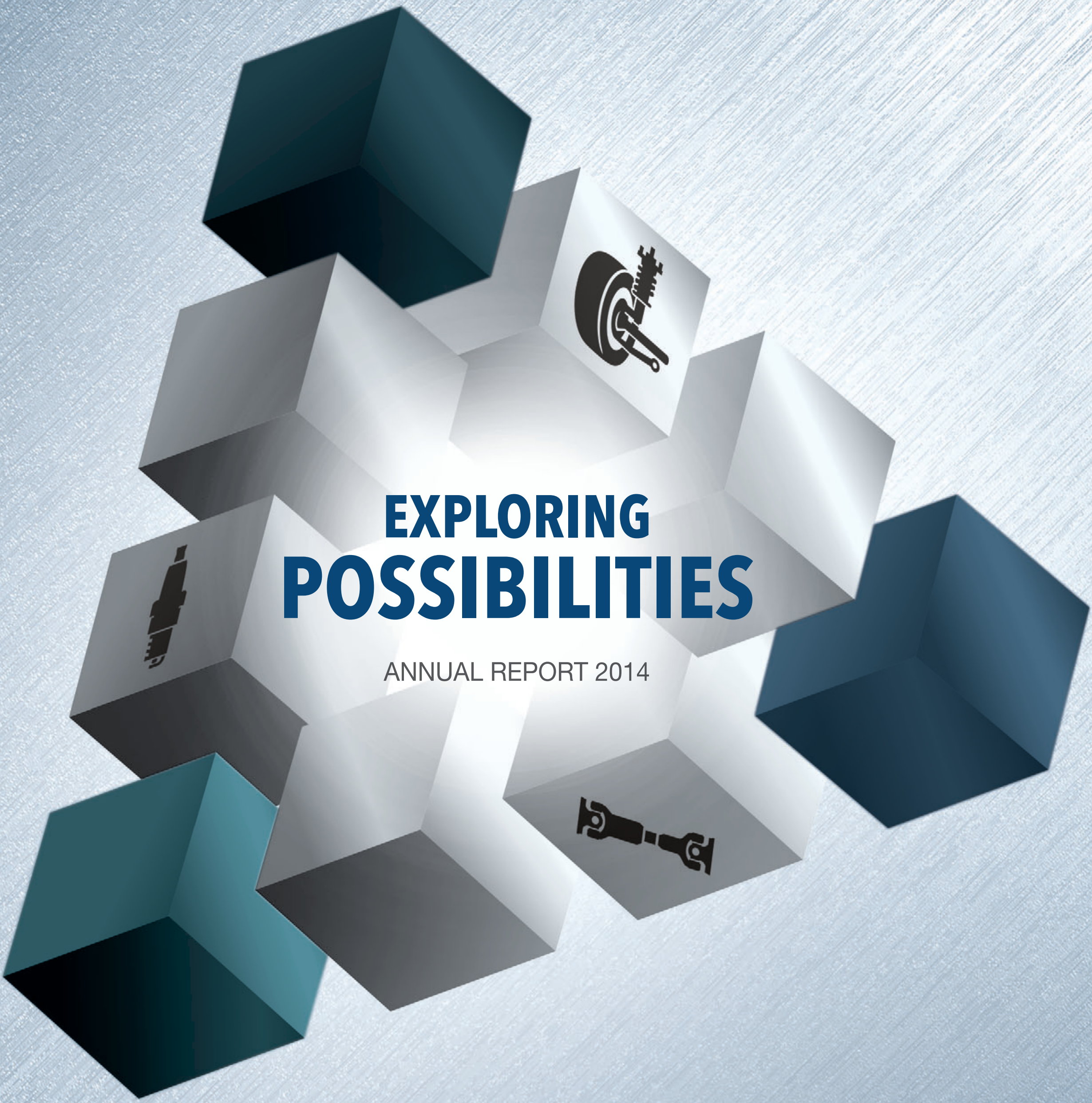


EXPLORING POSSIBILITIES

ANNUAL REPORT 2014

BWI INTERNATIONAL

京西重工國際有限公司
BEIJINGWEST INDUSTRIES INTERNATIONAL LIMITED

Stock Code : 2339

CONTENTS

Corporate Information	2
Directors' Biographies	3
Group Structure	8
Chairman's Statement	9
Management Discussion and Analysis	11
Corporate Governance Report	17
Report of the Directors	38
Independent Auditors' Report	55
Audited Financial Statements	
Consolidated Statement of Profit or Loss	58
Consolidated Statement of Comprehensive Income	59
Consolidated Statement of Financial Position	60
Consolidated Statement of Changes in Equity	62
Consolidated Statement of Cash Flows	64
Statement of Financial Position	66
Notes to Financial Statements	67

CORPORATE INFORMATION

BOARD OF DIRECTORS

Han Qing *(Chairman)*
Jiang Yunan *(Managing Director)*
Li Shaofeng *(Executive Director)*
Craig Allen Diem *(Executive Director)*
Bogdan Józef Such *(Executive Director)*
Zhang Yaochun *(Non-executive Director)*
Tam King Ching, Kenny
(Independent Non-executive Director)
Leung Kai Cheung
(Independent Non-executive Director)
Yip Kin Man, Raymond
(Independent Non-executive Director)

EXECUTIVE COMMITTEE

Jiang Yunan *(Chairman)*
Li Shaofeng
Craig Allen Diem
Bogdan Józef Such

AUDIT COMMITTEE

Tam King Ching, Kenny *(Chairman)*
Leung Kai Cheung
Yip Kin Man, Raymond

NOMINATION COMMITTEE

Han Qing *(Chairman)*
Zhang Yaochun
Tam King Ching, Kenny
Leung Kai Cheung
Yip Kin Man, Raymond

REMUNERATION COMMITTEE

Leung Kai Cheung *(Chairman)*
Jiang Yunan
Tam King Ching, Kenny
Yip Kin Man, Raymond

COMPANY SECRETARY

Cheng Man Ching

AUDITOR

Ernst & Young

COMPLIANCE ADVISER

Investec Capital Asia Limited

SHARE REGISTRAR

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY 1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 1005-06, 10th Floor
Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

STOCK CODE

2339

WEBSITE

www.bwi-intl.com.hk

DIRECTORS' BIOGRAPHIES

Mr. Han Qing, aged 48, professor level of senior engineer, holds a bachelor's degree in engineering from University of Science and Technology Beijing and a master's degree in business administration from the Central State University in the State of California. Mr. Han was appointed a Non-executive Director and the Chairman of the Company in December 2014. He is also the chairman of the Nomination Committee of the Company. Mr. Han joined Shougang Corporation in 1988 and thereafter held various positions in Shougang Corporation. He is the assistant general manager of Shougang Corporation. Mr. Han was the general manager of Beijing Shougang Co. Ltd. ("Beijing Shougang"), a company listed on the Shenzhen Stock Exchange, and is a director of Beijing Shougang and the chairman of BeijingWest Industries Co., Ltd. ("BWI"). Shougang Corporation is the holding company of BWI and Beijing Shougang. Each of Shougang Corporation and BWI is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). He has extensive experience in management and operation.

An engagement letter was entered into with Mr. Han for a term commencing on 23 December 2014 and ending on 31 December 2016. Under the engagement letter, Mr. Han is entitled to a director's fee as may be determined by the board of directors of the Company (the "Board") from time to time pursuant to the authority given by the shareholders of the Company (the "Shareholders"). Such director's fee will be determined with reference to Mr. Han's experience and duties as well as the then prevailing market conditions. In order to strengthen the working capital of the Company, Mr. Han has not received any director's fee since the date of his appointment as a Director of the Company.

Mr. Jiang Yunan, aged 53, engineer and senior economist. He holds a master's degree in business administration from Tsinghua University and a master's degree in applied accounting and finance from Hong Kong Baptist University. Mr. Jiang was appointed an Executive Director and the Managing Director of the Company in July 2014 and is the chairman of the Executive Committee and a member of the Remuneration Committee of the Company. He joined Shougang Corporation in 1992 and thereafter held various senior positions in the groups of Shougang Corporation and Shougang Concord International Enterprises Company Limited ("Shougang International"), a Hong Kong listed company and an associate of Shougang Corporation. Mr. Jiang was appointed a director and the president of BWI, a subsidiary of Shougang Corporation, in June 2014. Each of Shougang Corporation and BWI is a substantial shareholder of the Company within the meaning of Part XV of the SFO. He has extensive experiences in management.

A service contract was entered into between Mr. Jiang and the Company for a term commencing on 29 July 2014 and ending on 31 December 2016. Under the service contract, Mr. Jiang is entitled to a salary and discretionary bonus as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. Such salary and discretionary bonus will be determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Jiang's individual performance. In order to strengthen the working capital of the Company, Mr. Jiang has not received any salary since the date of his appointment as a Director of the Company.

DIRECTORS' BIOGRAPHIES

Mr. Li Shaofeng, aged 48, holds a bachelor degree in Automation from University of Science and Technology Beijing. Mr. Li was appointed an Executive Director of the Company in January 2014 and is a member of the Executive Committee of the Company. He joined Shougang Corporation, a substantial shareholder of the Company within the meaning of Part XV of the SFO, in 1989. Mr. Li is the managing director of Shougang International, the chairman of each of Shougang Fushan Resources Group Limited, Shougang Concord Grand (Group) Limited ("Shougang Grand"), Global Digital Creations Holdings Limited and Shougang Concord Century Holdings Limited ("Shougang Century"). He is also a non-executive director of China Dynamics (Holdings) Limited (formerly known as Sinocop Resources (Holdings) Limited), a Hong Kong listed company. Mr. Li is a non-executive director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange. He was an executive director and the chairman of Shougang Concord Technology Holdings Limited ("Shougang Technology") from May 2010 to March 2014, and a non-executive director and the chairman of Shougang Technology from March 2014 to December 2014. Mr. Li has extensive experience in management of, and investments in, listed companies and sino-foreign joint ventures.

A service contract was entered into between Mr. Li and the Company for a term commencing on 27 January 2014 and ending on 31 December 2016. Under the service contract, Mr. Li is entitled to a salary and discretionary bonus as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. Such salary and discretionary bonus will be determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Li's individual performance. In order to strengthen the working capital of the Company, Mr. Li has not received any salary since the date of his appointment as a Director of the Company.

Mr. Craig Allen Diem, aged 53, graduated with a bachelor's degree in science in mechanical engineering from the University of Toledo, United States and a master's degree in science in manufacturing management from the GMI Engineering and Management Institute, Flint, Michigan, United States. He completed the Asian and Pacific operations business leadership program organised by the American Graduate School of International Management in 1997 and the managerial issues in the global enterprise program sponsored by the American Graduate School of International Management (Thunderbird) in 2002. Mr. Diem was appointed a Non-executive Director of the Company in January 2014 and was re-designated as an Executive Director of the Company from 25 November 2014. He is a member of the Executive Committee of the Company. Since 1983, Mr. Diem has worked in the automotive components business with General Motors, Delphi and BWI respectively. He was transferred from General Motors to Delphi Automotive Systems Limited ("Delphi Automotive Systems") in 1999 and was appointed the general manager for Delphi Shanghai Steering and Chassis Systems Co., Ltd. in the same year. In 2001, Mr. Diem became the product team leader of the brake corner team in Delphi Automotive Systems and was appointed as product line manager in 2006. In 2009, he was appointed by BWI North America Inc., a wholly owned subsidiary of BWI, to the position of managing director, brake systems. Mr. Diem was later appointed as the global director of strategic planning of BWI in 2010 and was further promoted to the director of programme management and strategic development of BWI in 2012. BWI is a substantial shareholder of the Company within the meaning of Part XV of the SFO.

An engagement letter was entered into with Mr. Diem for a term commencing on 27 January 2014 and ending on 31 December 2016. Under the engagement letter, Mr. Diem is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. Such director's fee will be determined with reference to Mr. Diem's experience and duties as well as the then prevailing market conditions. In order to strengthen the working capital of the Company, Mr. Diem has not received any director's fee since 27 January 2014, the date of his appointment as a Non-executive Director of the Company. The engagement letter was terminated upon the re-designation of Mr. Diem from a Non-executive Director to an Executive Director of the Company.

A service contract was entered into between Mr. Diem and the Company for a term commencing on 25 November 2014 and ending on 31 December 2016. Under the service contract, Mr. Diem is entitled to salary and/or discretionary bonus as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. Such salary and the discretionary bonus will be determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Diem's individual performance. In order to strengthen the working capital of the Company, Mr. Diem has not received any salary from the Company since 25 November 2014, the date of his re-designation as an Executive Director of the Company.

Mr. Bogdan Józef Such, aged 59, graduated from the University of Science in Rzeszów, Poland with a master degree in engineering of science in mechanical engineering. Mr. Such was appointed an Executive Director of the Company in November 2014 and is a member of the Executive Committee of the Company. He is also a member of the management board of BWI Poland Technologies sp. z o.o., a wholly owned subsidiary of the Company, and the plant manager of BWI Poland Technologies Spółka Z Ograniczoną Odpowiedzialnością Oddział W Krośnie (the "Krosno plant"). Prior to joining the BWI group, Mr. Such held various positions at WSK "PZL-Rzeszów" S.A., a company primarily engaged in the manufacturing of aerospace engines and components and Fabryka Amortyzatorów S.A. (currently known as FA Krosno Sp. z o.o.), a company primarily engaged in the manufacturing of gas springs, ball joints and tie rods, respectively. He served as the manufacturing systems general manager of Delphi Chassis Systems Poland S.A. in 1998 and later served as manufacturing engineering general supervisor of Delphi Chassis Systems Krosno S.A. in 2001. In 2002, Mr. Such became the operations manager of Delphi Krosno S.A. He was awarded the 2007 Lean Leadership Recognition Award by Delphi Automotive Holdings Group in August 2007. Mr. Such joined the BWI group since 2009. BWI is a substantial shareholder of the Company within the meaning of Part XV of the SFO.

A service contract was entered into between Mr. Such and the Company for a term commencing on 25 November 2014 and ending on 31 December 2016. Under the service contract, Mr. Such is entitled to salary and/or discretionary bonus as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. Such salary and the discretionary bonus will be determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Such's individual performance. In order to strengthen the working capital of the Company, Mr. Such has not received any salary from the Company since the date of his appointment as a Director of the Company.

Another service contract was entered into between Mr. Such and the Krosno plant commencing on 1 July 1992. For the financial year ended 31 December 2014, Mr. Such is entitled to an aggregate salary of approximately PLN501,761.

DIRECTORS' BIOGRAPHIES

Mr. Zhang Yaochun, aged 57, holds a bachelor degree in law by correspondence from the Party School of the Central Committee of the Communist Party of China. Mr. Zhang was appointed a Non-executive Director of the Company in January 2014 and is a member of the Nomination Committee of the Company. He is the deputy chairman of BWI, a substantial shareholder of the Company within the meaning of Part XV of the SFO, and the chairman of its labor union. Since 1979, Mr. Zhang has been involved in the cement business of the Fangshan district of Beijing, and he was appointed the chairman and the general manager of Beijing City Fangshan District General Company in 2002.

An engagement letter was entered into with Mr. Zhang for a term commencing on 27 January 2014 and ending on 31 December 2016. Under the engagement letter, Mr. Zhang is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. Such director's fee will be determined with reference to Mr. Zhang's experience and duties as well as the then prevailing market conditions. In order to strengthen the working capital of the Company, Mr. Zhang has not received any director's fee since the date of his appointment as a Director of the Company.

Mr. Tam King Ching, Kenny, aged 65, holds a bachelor's degree in commerce from Concordia University, Canada. Mr. Tam was appointed an Independent Non-executive Director of the Company in January 2014 and is the chairman of the Audit Committee as well as a member of each of the Nomination Committee and the Remuneration Committee of the Company. He is a practising Certified Public Accountant in Hong Kong. Mr. Tam is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Chartered Professional Accountants of Ontario, Canada (formerly named as the Institute of Chartered Accountants of Ontario, Canada). He is serving as a member of each of the Restructuring and Insolvency Faculty Executive Committee, the Small and Medium Practitioners Committee (formerly named as the Small and Medium Practitioners Leadership Panel) and the Insolvency SD Vetting Committee in the Hong Kong Institute of Certified Public Accountants. Mr. Tam is a Past President of The Society of Chinese Accountants and Auditors. He also serves as an independent non-executive director of certain listed companies on the main board of The Stock Exchange of Hong Kong Limited, namely, Shougang Grand, CCT Fortis Holdings Limited, Kingmaker Footwear Holdings Limited, Starlite Holdings Limited, Van Shung Chong Holdings Limited and West China Cement Limited. Mr. Tam was an independent non-executive director of North Asia Strategic Holdings Limited from September 2004 to February 2013.

An engagement letter was entered into with Mr. Tam for a term commencing on 27 January 2014 and ending on 31 December 2016. Under the engagement letter, Mr. Tam is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the period from 27 January 2014 (the date of appointment of Mr. Tam as an Independent Non-executive Director of the Company) to 31 December 2014, the director's fee of Mr. Tam is HK$223,226 which was based on the director's fee of HK$240,000 for a full year and paid in proportion to Mr. Tam's actual length of services. For the financial year ending 31 December 2015, the director's fee of Mr. Tam will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Tam. Such director's fees were determined with reference to Mr. Tam's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Mr. Leung Kai Cheung, aged 69, graduated from The Chinese University of Hong Kong with a bachelor degree in business. Mr. Leung was appointed an Independent Non-executive Director of the Company in January 2014 and is the chairman of the Remuneration Committee as well as a member of each of the Audit Committee and the Nomination Committee of the Company. He is also an independent non-executive director of each of Shougang International and Shougang Technology. Mr. Leung had been a senior executive of Citibank, N.A., the general manager of Barclays Bank PLC in charge of Kowloon and New Territories districts and was the chairman of Star International Enterprises Limited. He has extensive financial knowledge and business management experience and is familiar with the business environment of both Hong Kong and Mainland China and the operation of listed companies.

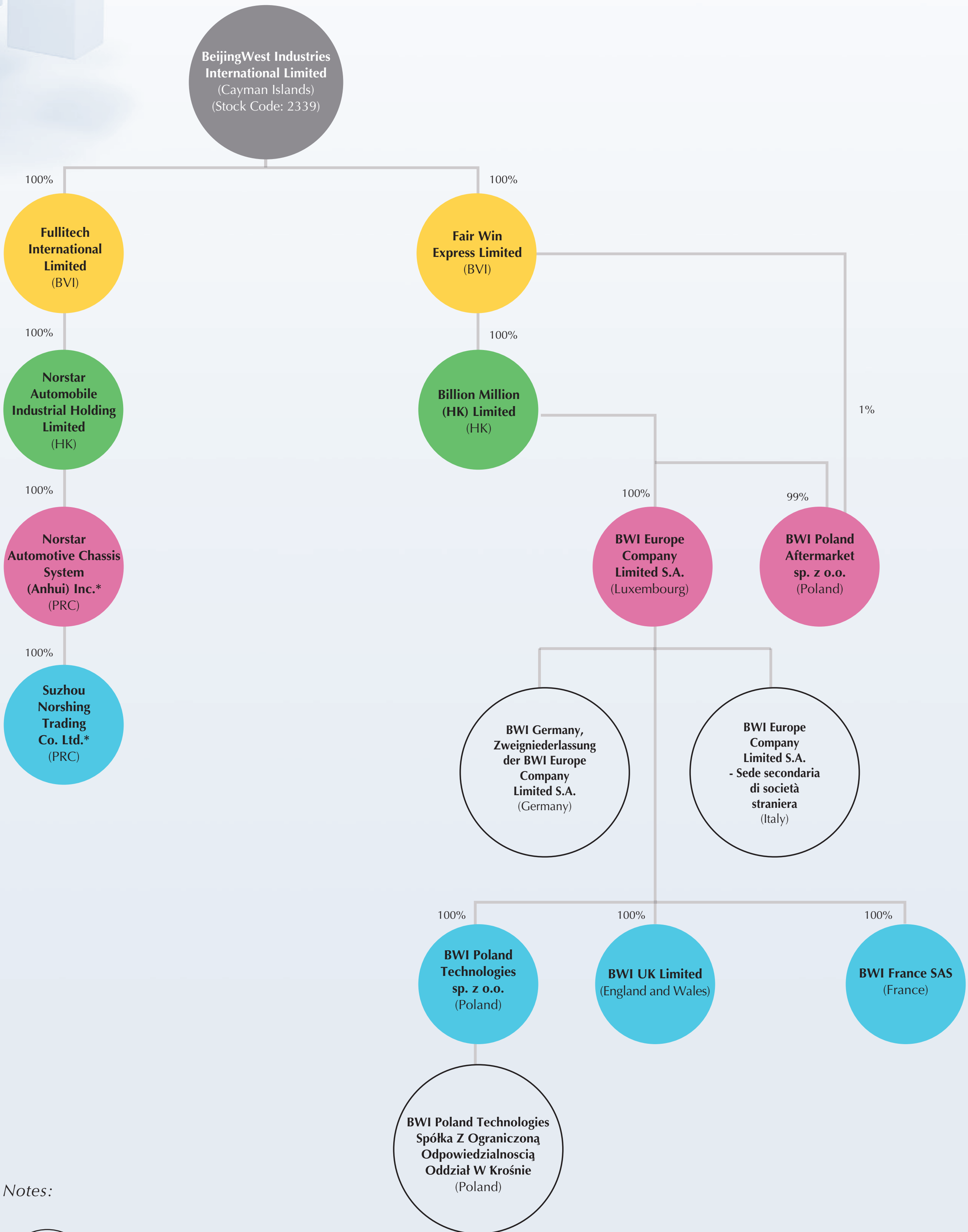
An engagement letter was entered into with Mr. Leung for a term commencing on 27 January 2014 and ending on 31 December 2016. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the period from 27 January 2014 (the date of appointment of Mr. Leung as an Independent Non-executive Director of the Company) to 31 December 2014, the director's fee of Mr. Leung is HK$223,226 which was based on the director's fee of HK$240,000 for a full year and paid in proportion to Mr. Leung's actual length of services. For the financial year ending 31 December 2015, the director's fee of Mr. Leung will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

Mr. Yip Kin Man, Raymond, aged 68, holds a bachelor's degree in arts with honours from the University of Hong Kong. Mr. Yip was appointed an Independent Non-executive Director of the Company in January 2014 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of each of Shougang Grand and Shougang Century. Mr. Yip is a practising solicitor, notary public and Attesting Officer appointed by the Ministry of Justice of the PRC. He has over 40 years of experience in legal profession.

An engagement letter was entered into with Mr. Yip for a term commencing on 27 January 2014 and ending on 31 December 2016. Under the engagement letter, Mr. Yip is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the Shareholders. For the period from 27 January 2014 (the date of appointment of Mr. Yip as an Independent Non-executive Director of the Company) to 31 December 2014, the director's fee of Mr. Yip is HK$223,226 which was based on the director's fee of HK$240,000 for a full year and paid in proportion to Mr. Yip's actual length of services. For the financial year ending 31 December 2015, the director's fee of Mr. Yip will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Yip. Such director's fees were determined with reference to Mr. Yip's experience and duties as well as the then prevailing market conditions.

GROUP STRUCTURE

As at 31 December 2014



Notes:

Branch

* *For identification purpose only*

CHAIRMAN'S STATEMENT

On behalf of the board of directors of BeijingWest Industries International Limited (the "Company"), I am pleased to present the annual report and the financial statements of the Company and its subsidiaries (the "Group") for the twelve months ended 31 December 2014.

COMPANY PROFILE

On 27 January 2014, the Group has completed restructuring and the trading in the shares of the Company on the Hong Kong Stock Exchange has been resumed. Since then BeijingWest Industries Co., Ltd ("BWI") became the substantial shareholder of the Company through its wholly owned subsidiary BWI Company Limited ("BWI (HK)"), and BWI is a non-wholly owned subsidiary of Shougang Corporation, a state-owned enterprise in the PRC. On 23 December 2014, the Group completed the acquisition of BWI Europe Company Limited S.A. ("BWI Europe") and its subsidiaries ("BWI Europe Group").

BUSINESS INTRODUCTION

The group has been primarily involved in the manufacturing of vehicle chassis components in the PRC before the acquisition, owing to the long suspension and illiquidity before restructuring, only little investments were made in improving the design and application of the chassis products. As a result, the products range is aged and cannot compete with other competitors and could only sold to low-costs local vehicle manufacturers in the PRC. For the year ended 31 December 2014, the chassis operations has recorded a loss after tax of HK$66.24 million after excluding the gain from restructuring, which is mainly due to impairment on plant and equipment.

The newly acquired BWI Europe Group is principally engaged in the design, research and development and manufacturing of controlled and passive suspension products and the provision of technical services for controlled and passive suspension products for premium vehicles. The products of BWI Europe Group are mainly sold to passenger vehicle manufacturers in Europe. For the year ended 31 December 2014, the Europe operations has recorded profit after tax of HK$181.14 million.

BWI Europe Group possesses strong financial position, quality customer groups and established track record, we consider that the acquisition of BWI Europe Group will raise the Group's profile, provide a strong motivation for the Group's further development, and extend the geographical reach of the Group to Europe. The Group is confident that the acquisition of BWI Europe Group will expand the product portfolio and customer base of the Group, thereby increasing its profitability and the overall shareholders' value of the Company.

CHAIRMAN'S STATEMENT

FUTURE DEVELOPMENT

To ensure sustainable future development, the Group will continue to expand its business in Europe, emphasis on technical enhancement of existing products, research and development of new products and establish new production base in the future. The Group will also strengthen its research and development capabilities of new and market-oriented products, as well as its core competitive strengths. At the same time, the Group will also actively observe any potential investment opportunities in order to consolidate the Group's existing operations while continuing the healthy and orderly development and growth of the Group.

Looking forward, on the back of continuous improvement in operating and management efficiency and with the support from our controlling shareholders, customers and business partners, the Group will experience improvement in operations and profitability will continue to improve, much better returns can be delivered to shareholders in 2015 and the years to come.

Han Qing
Chairman

26 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL REVIEW

Due to the change of financial year end date, this reporting period covered results for the twelve months period from 1 January 2014 to 31 December 2014. The corresponding comparative amounts shown covered the nine months period from 1 April 2013 to 31 December 2013, and therefore may not be entirely comparable with the amounts shown for the current period.

During the twelve months ended 31 December 2014, the Group has completed the acquisition of BWI Europe Company Limited S.A. ("BWI Europe"). Pursuant to the agreement for the sale and purchase of shares of BWI Europe dated 5 August 2014 entered into between the Company, Billion Million (HK) Limited ("Billion Million"), BeijingWest Industries Co., Ltd. ("BWI") and BWI Company Limited ("BWI (HK)"), a wholly-owned subsidiary of BWI, Billion Million acquired 100% equity interest in BWI Europe (the "BWI Europe Acquisition") on 23 December 2014 for a consideration of HK$997,000,000. Details of the BWI Europe Acquisition are disclosed in the circular of the Company dated 27 November 2014.

The Company and BWI Europe were under common control of BWI (HK) since 23 January 2014, and BWI Europe was controlled by BWI (HK) both before and after the BWI Europe Acquisition. The BWI Europe Acquisition was regarded as a business combination under common control and was accounted for using the merger accounting basis as if the BWI Europe Acquisition had been completed at the beginning of accounting periods as presented in these financial statements, or at the date when the Company and BWI Europe were under common control, whichever the later. Therefore the consolidated financial statements are prepared as if the BWI Europe Acquisition had been completed on 23 January 2014, being the date which the Company and BWI Europe were under common control of BWI (HK).

During the year, the Company and its subsidiaries (collectively the "Group") were involved in the following principal activities:

- manufacture and sale of automotive parts and components
- provision of technical services

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover

The turnover of different business sectors for the twelve months ended 31 December 2014 and nine months ended 31 December 2013 are summarized below:

	For the twelve months ended 31 December 2014 (HK$ million)	For the nine months ended 31 December 2013 (HK$ million) (Restated)	Change (%)
Manufacture and sale of automotive parts and components in the PRC	**106.95**	108.99	-1.87
Manufacture and sale of controlled and passive suspension	**3,117.13**	–	N/A
Provision of technical services	**130.53**	–	N/A
Total	**3,354.61**	108.99	2,977.91

For the twelve months ended 31 December 2014, the Group recorded revenue from the manufacture and sale of automotive parts and components in the PRC of HK$106.95 million, representing a decrease of 1.87% over last period (nine months ended 31 December 2013 (restated): HK$108.99 million). The decrease in turnover was mainly due to keen competition in the PRC market.

Despite the decline in the turnover of the sale of automotive parts and components in the PRC, the manufacture and sale of controlled and passive suspension and provision of technical services businesses from the BWI Europe Acquisition brings in a new revenue source to the Group. For the twelve months ended 31 December 2014, the Group recorded revenue of HK$3,117.13 million in the manufacture and sale of controlled and passive suspensions and HK$130.53 million in provision of technical services.

Overall revenue of the Group for the twelve months ended 31 December 2014 amounted to HK$3,354.61 million, representing an increase of 2,977.91% over last period (nine months ended 31 December 2013 (restated): HK$108.99 million).

Gross profit and gross profit margin

The gross profit and gross profit margin of the different business unit for the twelve months ended 31 December 2014 and the nine months ended 31 December 2013 are summarized below:

	For the twelve months ended 31 December 2014		For the nine months ended 31 December 2013		Change	
	Gross profit (HK$ million)	**Gross profit margin (%)**	Gross profit (HK$ million) (Restated)	Gross profit margin (%)	Gross profit (HK$ million)	Gross profit margin (%)
Manufacture and sale of automotive parts and components in the PRC	**-8.99**	**-8.41**	2.39	2.19	-11.38	-10.60
Manufacture and sale of controlled and passive suspension and provision of technical services	**779.70**	**24.01**	–	–	N/A	N/A
Total	**770.71**	**22.97**	2.39	2.19	768.32	20.78

The gross profit of the manufacture and sale of automotive parts and components in the PRC business for the year ended 31 December 2014 decreased by 10.60% to a gross loss of HK$8.99 million (nine months ended 31 December 2013 (restated): gross profit of HK$2.39 million). The gross loss margin for the year ended 31 December 2014 was 8.41% (nine months ended 31 December 2013: gross profit margin of 2.19%). Such significant decrease was mainly due to certain fixed costs being absorbed in the cost of inventories sold. When the turnover dropped, the profit margin was also affected adversely. The effect was compounded by the increases in material and labour costs.

Controlled suspension, passive suspensions and technical services are the product/service categories of the revenue of BWI Europe during the year ended 31 December 2014. Research and development expenses are the costs relating to the provision of technical services and such expenses have been categorized under administrative expenses but not under cost of sales. During the year ended 31 December 2014, the gross profit and gross profit margin for this business sector were HK$779.70 million and 24.01% respectively.

The overall gross profit and gross profit margin for the twelve months ended 31 December 2014 was HK$770.71 million and 22.97% respectively.

Other income

Other income of the Group for the twelve months ended 31 December 2014 increased by 185.06% to HK$42.36 million (nine months ended 31 December 2013 (restated): HK$14.86 million), the increase was mainly due to other income contribution from the newly acquired business in Europe, which mainly consists of compensation for the contract reduction from a passenger vehicle manufacturer and sale of scrap materials.

MANAGEMENT DISCUSSION AND ANALYSIS

Gain on the Group's restructuring

During the year ended 31 December 2014, gain on the Group's restructuring of HK$272.91 million was resulted upon completion of the group restructuring on January 2014.

The qualified opinion on the gain on the Group's restructuring as described in point 1 of the independent auditors' report for the year ended 31 December 2014 was mainly arising from the consequential effect of the point 1 of the auditor's qualified opinion on the Company's consolidated financial statements for the year ended 31 December 2013, which was related to the corporate undertaking and guarantees, details of which can be referred to the annual report of the Company for the year ended 31 December 2013.

Upon completion of the Group's restructuring on 23 January 2014, certain liabilities as detailed in note 9 to the consolidated financial statements were released or settled by the proceeds from the issuance of Subscription Shares and Class B Shares, so as the corporate undertaking and guarantees. In calculating the gain on the Group's restructuring, the auditor was unable to obtain sufficient information to derive the accurate amount of the liabilities of the Group being discharged under the Group's restructuring mainly due to the uncertainty on the accounting treatment on the fair value of the corporate undertaking and guarantees before the completion of the Group's restructuring. As a result, the auditor was unable to form the audit opinion as to the accurate amount of the gain on the Group's restructuring of approximately HK$272.91 million included in the consolidated statement of profit or loss and other comprehensive income.

If the fair value of the corporate undertaking and guarantees can be quantified and recognized in the consolidated financial statements, it would have a consequential impact on the amount of the gain on the Group's restructuring upon release of the corporate undertaking and guarantees and the released amount could have been recognized as an additional gain on Group's restructuring. Therefore the qualified opinion on the gain on the Group's restructuring was a result of the historical matter before the completion of the Group's restructuring, and it has no effect on the overall financial position of the Group and to the consolidated statement of profit or loss and other comprehensive income.

Distribution and selling expenses

Distribution and selling expenses of the Group for the twelve months ended 31 December 2014 increased by 637.48% to HK$39.16 million (nine months ended 31 December 2013 (restated): HK$5.31 million), the increase was mainly due to the acquisition of the new business in Europe. Distribution and selling expenses mainly consist of delivery expenses, salary and welfare for sales personnel and warranty expenses.

Administrative expenses

Administrative expenses of the Group for the twelve months ended 31 December 2014 increased by 1,689.89% to HK$267.41 million (nine months ended 31 December 2013 (restated): HK$14.94 million). The increased in administrative expenses was mainly due to (i) the acquisition of new business in Europe with administrative expenses of approximately HK$171.07 million, which mainly consist of salary and welfare for management and administrative personnel of approximately HK$69.07 million and management service fee charged by related companies of approximately HK$62.75 million; and (ii) legal and professional fees in respect of the BWI Europe Acquisition of approximately HK$23.65 million.

Finance costs

Finance costs of the Group for the twelve months ended 31 December 2014 decreased by 16.75 % to HK$6.76 million (nine months ended 31 December 2013 (restated): HK$8.12 million). Finance costs in the current year mainly represented interest on bank loans, while finance costs in the prior period mainly represented interest due to the NAIH Scheme.

Gain attributable to equity holders of the Company

For the twelve months ended 31 December 2014, the Group recorded an attributable gain of approximately HK$344.46 million (for the nine months ended 31 December 2013 (restated): loss of HK$48.11 million). The increase of the Group's gain was mainly attributed to the new business line as well as the restructuring gain of HK$269.04 million (net of restructuring costs incurred for the period of HK$3.87 million).

PROSPECTS

Upon completion of the BWI Europe Acquisition ("Completion"), the business of the Group will comprise of the design, manufacture and sale of automobile controlled and passive suspension products in Europe, and the manufacture of auto parts, which consists primarily of the production of chassis, in the PRC. As the chassis production operation of the Group are aged and cannot compete effectively with the more advanced products of its competitors, and as it will only form a small proportion of the revenue of the Group, it is currently intended that the Group will not commit significant capital investment in the chassis production operation. The Group will focus on operating and developing the controlled and passive suspension products business in Europe.

With its established relationships with the premium vehicle manufacturers, we believe that the Group could leverage on its technical expertise and understanding of the requirements of the premium vehicle manufacturers in producing controlled and passive suspension products that meet the technical requirements of the premium vehicle manufacturers and provide the Company with a strong platform for future development.

Upon Completion, the Company will also evaluate the operations and business structure of the Group with a view of improving long-term profitability and shareholders' value, which may include acquisitions or streamlining of operations as appropriate.

The Group will continue to seek new business opportunities to improve its profitability and business prospects, consolidate or streamline its existing business, enhance its future business development and strengthen its revenue base.

LIQUIDITY AND FINANCIAL RESOURCES

The Group was operating under a net cash inflow position for the twelve months ended 31 December 2014, in which net cash used in operating activities amounted to HK$19.51 million (nine months ended 31 December 2013 (restated): net cash from operating activities HK$50.0 million). As at 31 December 2014, the Group maintained cash and bank balances of HK$357.51 million (as at 31 December 2013 (restated): HK$0.36 million).

As at 31 December 2014, the Group had bank borrowings of HK$54.91 million, which were all dominated in Polish Zloty. All bank borrowings as at 31 December 2014 borne interest at a rate of 1 month LIBOR plus 2.20% per annum. The Group's gearing ratio (measured as total borrowings over total assets) as at 31 December 2014 was 3.48% (as at 31 December 2013: 10.92%).

Issued capital increased from HK$2.52 million as at 31 December 2013 to HK$46.06 million as at 31 December 2014. The increase was due to issue of new shares from placing exercises and for the BWI Europe Acquisition.

The Company will closely monitor the financial and liquidity position of the Group, as well as the situation of the financial markets from time to time in arriving at an appropriate financing strategy for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 December 2014, the carrying amount of plant and machinery held by the Group under finance leases amounted to nil (as at 31 December 2013 (restated): HK$22.37 million). Also as at 31 December 2013, The Group's entire equity interest in Norstar Automotive Chassis System (Anhui) Inc. and 40% equity interest in Profound Global Limited were pledged for the Group's restructuring.

FOREIGN EXCHANGE EXPOSURE

The Group's transactions are mainly denominated in Euros and United States dollars. During the twelve months ended 31 December 2014, the Group did not have any material foreign exchange exposure.

CAPITAL AND OTHER COMMITMENTS

Save as disclosed in note 39 in the notes to financial statements, the Group and the Company have no other commitments as at 31 December 2014 (as at 31 December 2013: Nil).

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group had approximately 1,150 Full-time employees, in which 730 employees were working in the Company's subsidiaries in Europe, and the remaining 420 employees were working in the Company and the Company's subsidiaries in the PRC (as at 31 December 2013: 557 full-time employees, most of them were working in the Company's subsidiaries in the PRC). During the twelve months ended 31 December 2014, the total employees' cost was HK$352.34 million (nine months ended 31 December 2013 (restated): HK$20.45 million). Remuneration packages of the employees are determined by reference to the qualifications and experience of the employee concerned and are reviewed annually by management with reference to market conditions and individual performance. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group is required to make contribution to a social insurance scheme in the PRC and have defined benefit pension plans covering substantially all of its qualified employees in Poland, France and Germany. The Group has also adopted a provident fund scheme as required under the Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for its employees in Hong Kong.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Since 19 January 2009, trading in the shares of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") had been suspended. A winding-up petition against the Company was presented to the High Court of Hong Kong (the "High Court") and the provisional liquidators (the "Provisional Liquidators") were appointed by the High Court to the Company on 6 February 2009 to preserve the assets of the Company and safeguard the interests of the Company. Subsequent to the debt restructuring and the capital restructuring of the Company, trading in the Shares had been resumed since 27 January 2014 (the "Resumption Date"). The winding-up petition was dismissed and the Provisional Liquidators were discharged on the Resumption Date.

Prior to the Resumption Date, due to the financial difficulties of the Company and its subsidiaries (the "Group") before the restructuring and the prolonged suspension in trading of the Shares, the Company was unable to comply with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Notwithstanding, the board of directors of the Company (the "Board"), which was formed on the Resumption Date, is committed to maintaining good corporate governance standard and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Board has already taken various actions for compliance with the CG Code. The Company has complied with the code provisions of the CG Code during the period from 27 January 2014 to 31 December 2014 (the "Period"), except for the following deviations:

– Under the code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

  During the Period, the Non-executive Directors and the Independent Non-executive Directors may communicate with the Chairman directly at any time to voice their opinion and share their views on the Company's affairs despite that the Chairman has not held a meeting with the Non-executive Directors and the Independent Non-executive Directors without the Executive Directors present on the grounds of his absence from Hong Kong. The Company considers that there are sufficient channels for discussion of the Company's affairs between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) in the absence of management.

CORPORATE GOVERNANCE PRACTICES (continued)

– Under the first part of code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

  The then Chairman of the Board, who is also the then chairman of the Nomination Committee of the Company, did not attend the annual general meeting of the Company held on 6 June 2014 (the "2014 AGM") as he had another business engagement. The then Managing Director of the Company, who took the chair of the 2014 AGM, and other members of the Board together with the chairmen of the Audit and Remuneration Committees and other members of each of the Audit, Remuneration and Nomination Committees attended the 2014 AGM. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the 2014 AGM were already of sufficient caliber and number for answering questions at the 2014 AGM.

BOARD OF DIRECTORS

Composition

The Board currently comprises a total of nine Directors, being four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. The list of Directors is set out in the section headed "Report of the Directors" of this annual report. In addition, an updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and the Company respectively.

The Board is characterised by significant diversity and has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Directors' Biographies" of this annual report.

The Directors give sufficient time and attention to the affairs of the Group. All Directors are required to disclose to the Company at the time of their appointment and annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

Save for those as disclosed in the section headed "Directors' Biographies" as set out on page 3 to page 7 of this annual report, the Board members have no other financial, business, family or other material/relevant relationships with each other.

The Board includes a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a sufficient independent element on the Board, which can effectively exercise independent judgement.

BOARD OF DIRECTORS (continued)

Composition (continued)

The Non-executive Directors are of sufficient number and calibre for their views to carry weight. The functions of Non-executive Directors include:

- bringing an independent judgement at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinising the Company's performance and monitoring performance reporting.

The Non-executive Directors (including Independent Non-executive Directors) have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They give the Board and the committees on which they serve the benefit of their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation.

Composition of the Board is disclosed, and the Independent Non-executive Directors are identified, in all corporate communications to shareholders.

Board diversity

The Company adopted a board diversity policy (the "Board Diversity Policy") on the Resumption Date which sets out its approach to achieve diversity on the Board with a view to achieving a sustainable and balanced development of the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board Diversity Policy is posted on the website of the Company.

Role and function of the Board and the management

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the Executive Committee and senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee. Further details of these committees are set out in this report.

BOARD OF DIRECTORS (continued)

Board meetings

The Board meets regularly and holds at least four Board meetings a year. Additional meetings will be arranged, if and when required. The Directors can attend meetings in person or through electronic means of communication in accordance with the articles of association of the Company (the "Articles").

The Company Secretary assists the Chairman in drawing up the agenda of each Board meeting. Draft agenda of each regular Board meeting will be sent to all Directors for review before the agenda is issued and all Directors may request for inclusion of other matters in the agenda. The Chairman will take into account the matters proposed by the Directors and where appropriate, approve the inclusion of such matters in the agenda of the Board meeting. Generally, at least 14-day notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it, to all Directors at least 3 days before the intended date of a Board meeting. Where queries are raised by Directors, prompt and full responses will be given if possible.

There has been procedure in place to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expenses. The Board shall resolve to, upon reasonable request, provide separate independent professional advice to Directors to assist them perform their duties to the Company.

The Company Secretary is responsible for taking minutes of Board meetings and Board committee meetings, draft and final versions of which would be sent to Directors for comments and records respectively, within a reasonable time after each meeting. Minutes are recorded in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of Board meetings and Board committees meetings are kept by the Company Secretary and are open for inspection by any Director/committee member.

If a substantial shareholder or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, the matter will be dealt with by a physical Board meeting, rather than a written resolution. Independent Non-executive Directors who, and whose close associates, have no material interest in the transaction should be present at that Board meeting.

Except for those circumstances permitted by the Articles and all applicable laws, rules and regulations, a Director shall not vote on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates (or associates where the transaction or arrangement is a connected transaction under Chapter 14A of the Listing Rules) has a material interest nor shall he be counted in the quorum present at the meeting.

Attendance records

During the financial year ended 31 December 2014, seven physical Board meetings were held to consider, amongst other things, changes in composition of the Board, various projects contemplated by the Group and to review and approve the final results of the Group for the nine months ended 31 December 2013 and the 2014 interim results of the Group.

BOARD OF DIRECTORS (continued)

Attendance records (continued)

Details of the Directors' attendances in 2014 are as follows:

	Number of meeting(s) attended/eligible to attend
Executive Directors	
Jiang Yunan *(appointed with effect from 29 July 2014)*	3/3
Li Shaofeng *(appointed with effect from 27 January 2014)*	6/6
Craig Allen Diem *(appointed as a Non-executive Director with effect from 27 January 2014 and re-designated to an Executive Director with effect from 25 November 2014)*	5/6
Bogdan Józef Such *(appointed with effect from 25 November 2014)*	1/1
Wang Zhong *(appointed with effect from 27 January 2014 and resigned with effect from 29 July 2014)*	3/3
Lilly Huang *(resigned with effect from 27 January 2014)*	1/1
Chin Chang Keng, Raymond *(resigned with effect from 27 January 2014)*	1/1
Non-executive Directors	
Han Qing *(Chairman) (appointed with effect from 23 December 2014)*	0/0
Zhang Yaochun *(appointed with effect from 27 January 2014)*	6/6
Xu Ning *(Chairman) (appointed with effect from 27 January 2014 and resigned with effect from 23 December 2014)*	1/6
Independent Non-executive Directors	
Tam King Ching, Kenny *(appointed with effect from 27 January 2014)*	6/6
Leung Kai Cheung *(appointed with effect from 27 January 2014)*	6/6
Yip Kin Man, Raymond *(appointed with effect from 27 January 2014)*	6/6
Choi Tat Ying, Jacky *(resigned with effect from 20 January 2014)*	0/0

Access to information

The Board is supplied with sufficient explanation and information by the management to enable the Board to make an informed assessment of financial and other information put before it for approval. The management provides all Board members with monthly updates which give a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

BOARD OF DIRECTORS (continued)

Appointment and re-election of Directors

Appointment of new Directors is a matter for consideration by the Nomination Committee. The Nomination Committee will give adequate consideration to the Board Diversity Policy and review the profiles of the candidates and make recommendations to the Board on the appointment, re-appointment and nomination of Directors.

According to the Articles, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director is subject to retirement by rotation at least once every three years.

All Directors (including all Non-executive Directors) have entered into service contracts or letters of engagement with the Company for a term of not more than three years.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three Independent Non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise.

Pursuant to Rule 3.10A of the Listing Rules, the number of Independent Non-executive Directors of the Company represents one-third of the Board.

The Company has received from each of its Independent Non-executive Directors a confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-executive Directors are independent.

Any re-election of an independent non-executive director who has served the board for more than nine years, his/her further appointment should be subject to a separate resolution to be approved by shareholders.

Insurance for directors' and officers' liability

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

BOARD OF DIRECTORS (continued)

Directors' training and professional development

Every newly appointed Director will be given an introduction of regulatory requirements. Directors are continually updated on the latest development of the Listing Rules, legal and other regulatory requirements to ensure compliance and upkeep of good corporate governance practice. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company Secretary facilitates induction and professional development of Directors and the Company is responsible for arranging and funding suitable training for the Directors.

In July 2014, the Company organized, at the cost of the Company, an in-house training session for the Directors on the topic of directors' responsibilities under the laws of Hong Kong, the Listing Rules and other regulatory requirements.

All Directors have provided to the Company their records of training received during the Period, a summary of which is as follows:

	Continuous professional development	
Directors	**Type** (Note I)	**Subject** (Note II)
Han Qing	B	3
Xu Ning	A	1
	B	3
Jiang Yunan	A	1
	B	3
Wang Zhong	A	1
	B	3
Li Shaofeng	A	1
	B	3
Craig Allen Diem	A	1
	B	3
Bogdan Józef Such	B	3
Zhang Yaochun	A	1
	B	3
Tam King Ching, Kenny	A	1, 2
	B	3
Leung Kai Cheung	A	1
	B	3
Yip Kin Man, Raymond	A	1
	B	3

Note I:
A: Attending seminars, conferences, forums, in-house briefings or in-house training
B: Reading newspapers, journals and updates

Note II:
1: Laws, rules and regulations
2: Finance, accounting or taxation
3: Businesses relating to the Company

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate and exercised by different individuals to reinforce their independence and accountability. Mr. Han Qing is the Chairman and Mr. Jiang Yunan serves as the Managing Director of the Company. The Chairman provides leadership for the Board and ensures that the Board works effectively and performs its responsibilities. The Managing Director has overall chief executive responsibility for the Group's business development and day-to-day management generally. The division of responsibilities between the Chairman and the Managing Director is clearly established and set out in writing.

In performing the role of Chairman, Mr. Han Qing's responsibilities include, amongst other things:

- taking primary responsibility for ensuring that good corporate governance practices and procedures are established;

- ensuring that all Directors are properly briefed on issues arising at Board meetings, and ensuring that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable;

- encouraging all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interest of the Company;

- encouraging Directors with different views to voice their concerns, allowing sufficient time for discussion of issues and ensuring that Board decisions fairly reflect Board consensus;

- ensuring that appropriate steps are taken to provide effective communications with shareholders and that their views are communicated to the Board as a whole; and

- promoting a culture of openness and debate by facilitating the effective contribution of Non-executive Directors in particular and ensuring constructive relations between Executive and Non-executive Directors.

BOARD COMMITTEES

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

Executive Committee

An Executive Committee of the Board was established on the Resumption Date with specific written terms of reference which deal clearly with its authorities and duties.

The Executive Committee has been conferred with the general powers of the Board (except those matters specifically reserved for the Board) to manage and oversee the operations of the Group and has been assigned with the responsibilities to perform the corporate governance duties as follows:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

- to review and monitor the training and continuous professional development of Directors and senior management;

- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Group's employees and Directors;

- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

- to conform to any requirement, direction, regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.

The Executive Committee comprises all Executive Directors of the Company.

BOARD COMMITTEES (continued)

Executive Committee (continued)

During the year, sixteen physical meetings of the Executive Committee were held. Amongst those meetings, one meeting was held for the purpose of performing the corporate governance duties and the attendances of the members of the Executive Committee at that meeting are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Jiang Yunan *(chairman of the committee)* *(appointed as a member and the chairman of the committee with effect from 29 July 2014)*	0/0
Li Shaofeng *(appointed as a member with effect from 27 January 2014)*	1/1
Craig Allen Diem *(appointed as a member with effect from 25 November 2014)*	0/0
Bogdan Józef Such *(appointed as a member with effect from 25 November 2014)*	0/0
Wang Zhong *(appointed as a member and the chairman of the committee with effect from 27 January 2014 and ceased to act as a member and the chairman of the committee with effect from 29 July 2014)*	1/1

The major work in relation to the corporate governance of the Group performed by the Executive Committee during the Period included the following:

- reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company for the nine months ended 31 December 2013.

Audit Committee

An Audit Committee of the Board was established on the Resumption Date with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Audit Committee include, amongst other things:

- overseeing the relationship with the Company's auditor;
- reviewing the interim and annual financial statements;
- reviewing the Company's financial reporting system and internal control procedures; and
- reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

BOARD COMMITTEES (continued)

Audit Committee (continued)

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. It is given access to and assistance from the employees and reasonable resources to perform its duties properly.

The chairman of the Audit Committee is an Independent Non-executive Director and the Audit Committee comprises all Independent Non-executive Directors of the Company. None of the members of the Audit Committee are former partners of the auditor of the Company.

During the year, two physical meetings of the Audit Committee were held and the attendances of the members of the Audit Committee are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Tam King Ching, Kenny *(chairman of the committee)* *(appointed as a member and the chairman of the committee with effect from 27 January 2014)*	2/2
Leung Kai Cheung *(appointed as a member with effect from 27 January 2014)*	2/2
Yip Kin Man, Raymond *(appointed as a member with effect from 27 January 2014)*	2/2

The major work performed by the Audit Committee during the Period included, amongst other things, the following:

- reviewing the final results of the Group for the nine months ended 31 December 2013; and
- reviewing the interim results of the Group for the six months ended 30 June 2014.

During the year, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

BOARD COMMITTEES (continued)

Nomination Committee

A Nomination Committee of the Board was established on the Resumption Date with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Nomination Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board;

- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors;

- assessing the independence of Independent Non-executive Directors; and

- reviewing the Board Diversity Policy, as appropriate; and reviewing the measurable objectives that have been set for implementing the Board Diversity Policy, and reviewing the progress on achieving the objectives.

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will give adequate consideration to the Board Diversity Policy and take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The chairman of the Nomination Committee is the Chairman of the Board and the Independent Non-executive Directors of the Company constitute the majority of the Nomination Committee.

BOARD COMMITTEES (continued)

Nomination Committee (continued)

During the year, four physical meetings of the Nomination Committee were held and the attendances of the members of the Nomination Committee are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Han Qing *(chairman of the committee)* *(appointed as a member and the chairman of the committee with effect from 23 December 2014)*	0/0
Zhang Yaochun *(appointed as a member with effect from 27 January 2014)*	4/4
Tam King Ching, Kenny *(appointed as a member with effect from 27 January 2014)*	4/4
Leung Kai Cheung *(appointed as a member with effect from 27 January 2014)*	4/4
Yip Kin Man, Raymond *(appointed as a member with effect from 27 January 2014)*	4/4
Xu Ning *(appointed as a member and the chairman of the committee with effect from 27 January 2014 and ceased to act as a member and the chairman of the committee with effect from 23 December 2014)*	0/4
Li Shaofeng – as alternate of Mr. Xu Ning	4/4

The major work performed by the Nomination Committee during the Period included, amongst other things, the following:

- assessing the independence of the Independent Non-executive Directors;

- considering and making recommendations to the Board on the re-election of Directors at the annual general meeting;

- considering and making recommendations to the Board for the appointment of Mr. Han Qing as a Non-executive Director and the Chairman of the Board of the Company and the appointment of Messrs. Jiang Yunan and Bogdan Józef Such as the Executive Directors of the Company;

- considering and making recommendations to the Board for the re-designation of Mr. Craig Allen Diem from a Non-executive Director to an Executive Director of the Company; and

- reviewing the structure and composition of the Board with due regard for the benefits of diversity on the Board.

BOARD COMMITTEES (continued)

Remuneration Committee

A Remuneration Committee of the Board was established on the Resumption Date with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Remuneration Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Remuneration Committee include:

- making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group;

- reviewing and approving the management's remuneration proposals with reference to the Company's goals and objectives;

- determining, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management and making recommendations to the Board on the remuneration of Non-executive Directors;

- reviewing and approving compensation payable to Executive Directors and senior management and compensation arrangements relating to dismissal or removal of Directors for misconduct; and

- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee may consult the Chairman of the Board and/or the Managing Director of the Company about their remuneration proposals for other Executive Directors. It has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The remuneration policies for the Company as well as the Directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

The chairman of the Remuneration Committee is an Independent Non-executive Director and the Independent Non-executive Directors of the Company constitute the majority of the Remuneration Committee.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

During the year, four physical meetings of the Remuneration Committee were held and the attendances of the members of the Remuneration Committee are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Leung Kai Cheung *(chairman of the committee)* *(appointed as a member and the chairman of the committee with effect from 27 January 2014)*	4/4
Jiang Yunan *(appointed as a member with effect from 29 July 2014)*	2/2
Tam King Ching, Kenny *(appointed as a member with effect from 27 January 2014)*	4/4
Yip Kin Man, Raymond *(appointed as a member with effect from 27 January 2014)*	4/4
Wang Zhong *(appointed as a member with effect from 27 January 2014 and ceased to act as a member with effect from 29 July 2014)*	2/2

The major work performed by the Remuneration Committee during the Period included, amongst other things, the following:

- reviewing and approving the terms of the services contracts of the Executive Directors of the Company;
- considering and approving the terms of the service contracts and remuneration of Messrs. Jiang Yunan, Craig Allen Diem and Bogdan Józef Such;
- making recommendations to the Board on the terms of the engagement letter and director's fee of Mr. Han Qing;
- considering, reviewing and determining the remuneration of the Executive Directors of the Company for the years 2014 and 2015;
- considering the bonuses of the Executive Directors of the Company for the year 2014; and
- making recommendations to the Board on the directors' fee of the Non-executive Directors of the Company for the year 2015.

Details of remuneration paid to Directors and senior management for the year are set out in note 11 to financial statements.

COMPANY SECRETARY

The Company Secretary was appointed with effect from the Resumption Date. The Company Secretary supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is also responsible for advising the Board through the Chairman and/or the Managing Director of the Company on corporate governance and the implementation of the CG Code. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group's affairs.

The Company Secretary reports to the Chairman and the Managing Director. All Directors also have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable laws, rules and regulations, are followed. The selection, appointment and dismissal of the Company Secretary is subject to the Board approval.

The Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training during the Period.

INTERNAL CONTROL

The Board is of the opinion that sound internal control systems will contribute to the effectiveness and efficiency of operations of the Group and to the safeguard of the Group's assets as well as the shareholders' investment.

The Board is responsible for overall ensuring, maintaining and overseeing the internal control systems of the Group. The Executive Committee helps the Board to discharge its responsibilities of ensuring and maintaining sound internal control functions by continuously reviewing and monitoring the internal control systems and processes so as to ensure that they can provide reasonable assurance against material errors of the Group.

The internal control system of the Group is embedded within the business processes so that it functions as an integral part of the overall operations of the Group. The system comprises a comprehensive organization structure with assignment of definite accountabilities and delegation of the corresponding authorities to each post. Based on the organization structure, a reporting system has been developed which includes a reporting system from division head of each principal business unit to the Executive Committee.

Business plan and budget are prepared by the division head of each principal business unit annually. In preparing the business plans and budgets, the management identifies and evaluates any potential risks. Measures will be put in place with an aim to ultimately manage, control or lessen such risks.

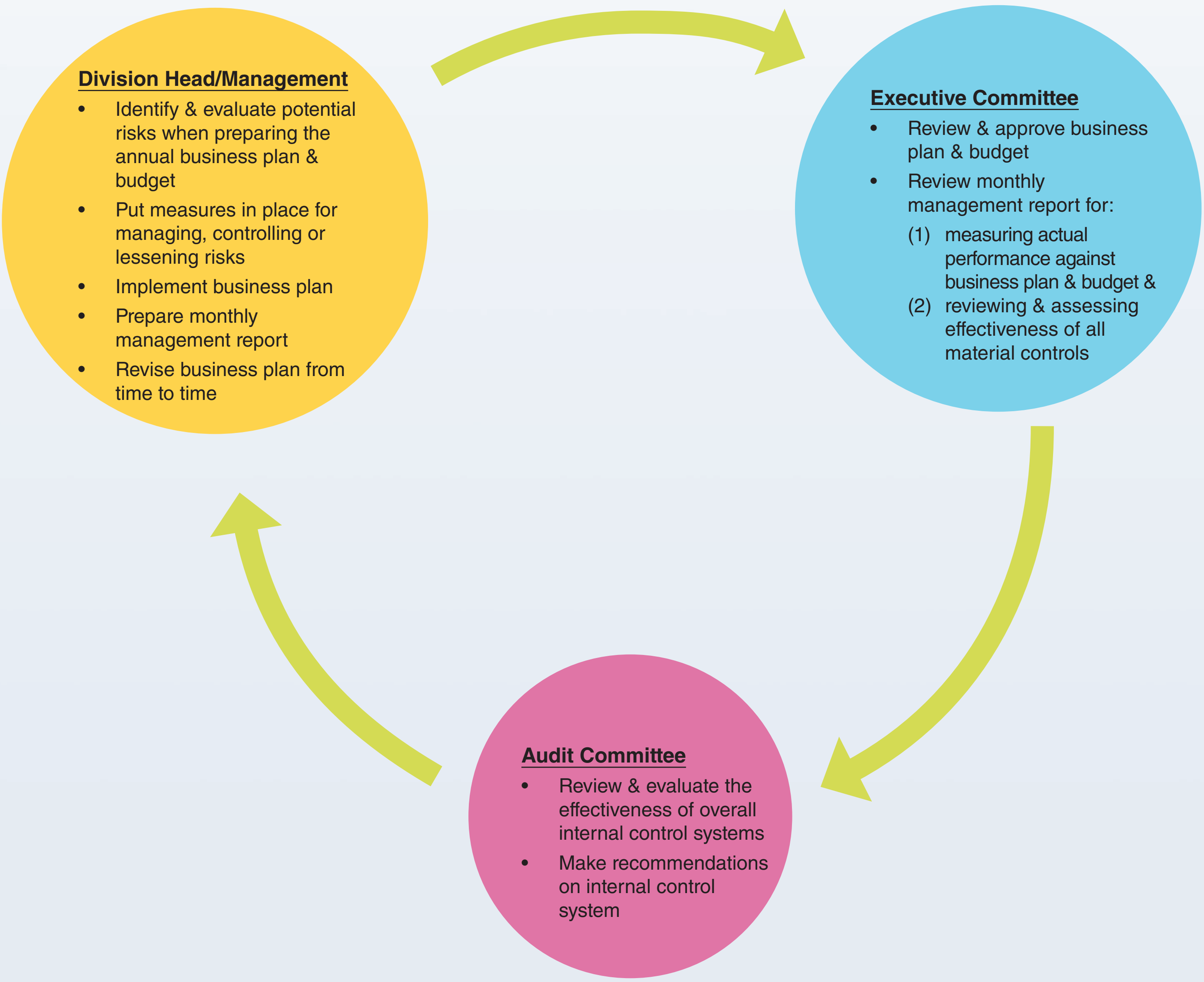
The business plans and budgets are subject to review and approval by the Executive Committee. The Executive Committee reviews monthly management report on the operational and financial results of each principal business unit and measures the actual performance of the Group against the business plan and budget concerned. In this course, the Executive Committee also reviews and assesses the effectiveness of all material controls and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Executive Committee holds periodical meetings with the senior management of each principal business unit to, amongst other matters, address the issues in such controls, identify areas of improvement and put the appropriate measures in place.

INTERNAL CONTROL (continued)

The internal control system of the Group is documented and if any revision is required, such information will be submitted to the Audit Committee for evaluation.

The Audit Committee assists the Board to fulfill its oversight role over the Group's internal control function by reviewing and evaluating the effectiveness of the overall internal control systems.

Internal control system



The Board considers that it is an ongoing and continuous process for the Group to review and improve its internal control systems in order to ensure that they can meet with the dynamic and ever changing business environment. During the Period, the Board has been, through the Executive Committee and the Audit Committee, continuously reviewing the effectiveness of the Group's internal control systems.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Listing Rules as a code of conduct of the Company for Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the Period.

Employees who are likely to possess inside information in relation to the Company or its shares are required to prohibit from dealing in shares of the Company during the black-out period.

AUDITORS' REMUNERATION

During the year, the remuneration paid/payable to the Company's auditor, Ernst & Young, and the former auditor, ZHONGHUI ANDA CPA Limited, are set out as follows:

Services rendered	*HK$'000*
Audit services	2,234
Non-audit services:	
Interim review	260
Provision of the unaudited pro forma financial information for the very substantial acquisition and reverse takeover involving a new listing application	350
Tax services	5
	2,849

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis and in presenting the annual and interim reports and other financial disclosures required under the Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the Group's position and prospects.

The statement of the auditor of the Company, Ernst & Young, about its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 55 to 57 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

On the Resumption Date, the Board adopted a Shareholders' Communication Policy reflecting the current practices of the Company for communication with its shareholders. Such policy aims at ensuring the shareholders of the Company are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders to engage actively with the Company.

To foster effective communications with the shareholders, the Company provides extensive information in its annual and interim reports and announcements. All shareholders' communications are also available on the Company's website at www.bwi-intl.com.hk.

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditor is also available at the annual general meeting to address shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, members of the independent Board committee will also make an effort to attend to address shareholders' queries.

During the year, two general meetings were held. One of the general meetings was the 2014 AGM and the other was the extraordinary general meeting held on 19 December 2014 (the "EGM") for approving the followings:

(1) the acquisition agreement entered into between the Company, Billion Million (HK) Limited, a wholly-owned subsidiary of the Company, BWI Company Limited and BeijingWest Industries Co., Ltd. ("BWI") on 5 August 2014 in respect of the very substantial acquisition and connected transaction and the reverse takeover involving new listing application;

(2) the parts and components supply agreement entered into between the Company and BWI on 25 November 2014 in respect of the continuing connected transactions for the three financial years ending 31 December 2016;

(3) the mutual technical services agreement entered into between the Company and BWI on 25 November 2014 in respect of the continuing connected transactions for the three financial years ending 31 December 2016;

(4) the technology license agreement entered into between BWI Poland Technologies sp. z o.o. and BWI North America Inc. (as the joint licensors) and BWI (as licensee) on 25 November 2014 in respect of the continuing connected transactions for the three financial years ending 31 December 2016;

(5) the reclassification of the class B shares of the Company into ordinary shares; and

(6) the amendments to the memorandum and articles of association of the Company.

COMMUNICATION WITH SHAREHOLDERS (continued)

The former auditor of the Company, ZHONGHUI ANDA CPA Limited, attended the 2014 AGM. All members of the independent board committee established by the Board, which was comprised of all Independent Non-executive Directors, to advise the independent shareholders of the Company on the abovementioned transactions (1) to (4) attended the EGM. Details of the Directors' attendances at the general meetings of the Company held during the year are as follows:

Directors	Attendance at the 2014 AGM	Attendance at the EGM
Executive Directors		
Jiang Yunan *(appointed with effect from 29 July 2014)*	Not applicable	✓
Li Shaofeng *(appointed with effect from 27 January 2014)*	✓	✓
Craig Allen Diem *(appointed as a Non-executive Director with effect from 27 January 2014 and re-designated to an Executive Director with effect from 25 November 2014)*	X	✓
Bogdan Józef Such *(appointed with effect from 25 November 2014)*	Not applicable	✓
Wang Zhong *(appointed with effect from 27 January 2014 and resigned with effect from 29 July 2014)*	✓	Not applicable
Non-executive Directors		
Zhang Yaochun *(appointed with effect from 27 January 2014)*	X	✓
Xu Ning *(appointed with effect from 27 January 2014 and resigned with effect from 23 December 2014)*	X	X
Independent Non-executive Directors		
Tam King Ching, Kenny *(appointed with effect from 27 January 2014)*	✓	✓
Leung Kai Cheung *(appointed with effect from 27 January 2014)*	✓	✓
Yip Kin Man, Raymond *(appointed with effect from 27 January 2014)*	✓	✓

During the year, all notices of general meetings despatched by the Company to its shareholders for meetings held were sent for annual general meeting at least 20 clear business days before the meeting and at least 10 clear business days for all other general meetings. Separate resolutions were proposed at general meetings on each substantially separate issue, including the election of individual Directors, and all resolutions put to the vote of a general meeting were taken by way of a poll. All the general meetings, the chairman of the meetings explained the procedures for conducting a poll and answered questions from shareholders on voting by poll, if any. The results of the poll were published on the websites of the Stock Exchange and the Company respectively.

SHAREHOLDERS' RIGHTS

Convene an extraordinary general meeting and put forward proposals at shareholders' meetings

There are no provisions under the Companies Laws, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands allowing shareholders to propose new resolutions at the general meeting.

However, pursuant to the Articles, any one or more members 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. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist himself may do so in the same manner, and all reasonable expenses incurred by the requisitionist as a result of the failure of the Board shall be reimbursed to the requisitionist by the Company.

Shareholders' enquiries

Specific enquiries or suggestions by shareholders can be sent in writing to the Board or the Company Secretary at our principal office in Hong Kong or by email to our Company. In addition, shareholders can contact Tricor Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlement to dividend. Relevant contact details are set out on page 2 of this annual report.

CONSTITUTIONAL DOCUMENTS

During the year, an amended and restated memorandum and articles of the Company was adopted at the EGM. Details of the amendments to the memorandum and articles of association of the Company were set out in the circular of the Company dated 27 November 2014. Save as aforesaid, there is no change in the Company's constitutional documents during the year.

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

RESUMPTION OF TRADING

Since 19 January 2009, trading in the shares of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") had been suspended. On 6 February 2009, a petition to wind up the Company was presented to the High Court of Hong Kong ("High Court") and provisional liquidators (the "Provisional Liquidators") were appointed by the High Court on the same date to preserve the assets of the Company and to safeguard the interests of the Company.

Upon completion of (i) the debt restructuring and (ii) the capital restructuring of the Company, details of which are set out in the circular of the Company dated 20 November 2013, trading in the Shares on the Stock Exchange was resumed on 27 January 2014. The winding up petition against the Company was dismissed and the Provisional Liquidators were discharged upon resumption of trading of the Shares.

CHANGE OF COMPANY NAME AND STOCK SHORT NAME

As approved by the shareholders of the Company at an extraordinary general meeting held on 13 December 2013 and by the Registrar of Companies of Cayman Islands on 24 January 2014, the name of the Company has been changed to "BeijingWest Industries International Limited" from "Norstar Founders Group Limited" and the dual foreign name of the Company has been changed to "京西重工國際有限公司" from "北泰創業集團有限公司". The English stock short name of the Company for trading in the Shares on the Stock Exchange has been changed to "BWI INT'L" from "NORSTAR" while its Chinese stock short name has been changed to "京西國際" from "北泰" with effect from 4 March 2014.

CHANGE OF FINANCIAL YEAR END DATE

As announced by the Company on 27 January 2014, in order to facilitate the preparation of the consolidated financial statements of the Company, the board of the directors of the Company (the "Board") resolved to change the financial year end date of the Company from 31 March to 31 December. Accordingly, this report and the accompanying audited consolidated financial statements of the Group cover a twelve-month period from 1 January 2014 to 31 December 2014 while the corresponding comparative figures cover a nine-month period from 1 April 2013 to 31 December 2013 (the "2013 Period").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries and associate are set out in notes 18 and 19 to financial statements.

REPORT OF THE DIRECTORS

RESULTS

The results of the Group for the year ended 31 December 2014 and the state of affairs of the Group at that date are set out in the financial statements on pages 58 to 138 of this annual report.

The Board does not recommend the payment of any dividend in respect of the year (2013: Nil).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2014 are set out in note 29 to financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 33 to financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on pages 62 to 63 of this annual report and in note 35 to financial statements, respectively.

DONATION

No charitable donation was made by the Group during the year (for the 2013 Period: Nil).

REPORT OF THE DIRECTORS

DIRECTORS

The Directors of the Company during the year were as follows:

Han Qing	*(appointed with effect from 23 December 2014)*
Jiang Yunan	*(appointed with effect from 29 July 2014)*
Li Shaofeng	*(appointed with effect from 27 January 2014)*
Craig Allen Diem	*(appointed as a Non-executive Director with effect from 27 January 2014 and re-designated to an Executive Director with effect from 25 November 2014)*
Bogdan Józef Such	*(appointed with effect from 25 November 2014)*
Zhang Yaochun	*(appointed with effect from 27 January 2014)*
Tam King Ching, Kenny*	*(appointed with effect from 27 January 2014)*
Leung Kai Cheung*	*(appointed with effect from 27 January 2014)*
Yip Kin Man, Raymond*	*(appointed with effect from 27 January 2014)*
Xu Ning	*(appointed with effect from 27 January 2014 and resigned with effect from 23 December 2014)*
Wang Zhong	*(appointed with effect from 27 January 2014 and resigned with effect from 29 July 2014)*
Lilly Huang	*(resigned with effect from 27 January 2014)*
Chin Chang Keng, Raymond	*(resigned with effect from 27 January 2014)*
Choi Tat Ying, Jacky*	*(resigned with effect from 20 January 2014)*

* *Independent Non-executive Directors*

In accordance with clauses 83(3) and 84 of the Company's articles of association, Messrs. Li Shaofeng, Craig Allen Diem, Bogdan Józef Such and Zhang Yaochun will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts 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 at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 8.10 of the Listing Rules, the following Directors have declared interests in the following businesses (other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group during the year:

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Han Qing[1]	北京京西重工有限公司 (BeijingWest Industries Co., Ltd*) ("BWI") #	Sale of auto parts, machinery and equipment	Director
Jiang Yunan[1]	BWI#	Sale of auto parts, machinery and equipment	Director
Zhang Yaochun[1]	BWI#	Sale of auto parts, machinery and equipment	Director
Wang Zhong[2]	BWI#	Sale of auto parts, machinery and equipment	Director

Notes:

1. *Messrs. Han Qing, Jiang Yunan and Zhang Yaochun were appointed as directors of the Company with effect from 23 December 2014, 29 July 2014 and 27 January 2014 respectively.*

2. *Mr. Wang Zhong was appointed as a director of the Company with effect from 27 January 2014 and resigned with effect from 29 July 2014.*

* *For identification purpose only*

\# *Such businesses may be carried out through the subsidiaries or associates of the entity concerned or by way of other forms of investments.*

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (continued)

The Board of the Company is independent from the board of the above-mentioned entities and is accountable to the Company's shareholders. Coupled with the diligence of its Independent Non-executive Directors whose views carry significant weight in the Board's decisions, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of that entity.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2014, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares/underlying shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the issued share capital of the Company as at 31.12.2014	*Note*
Success Arrive Limited ("SAL")	Beneficial owner	1,462,478,156	31.75%	*1*
BWI Company Limited ("BWI HK")	Beneficial owner, interest of a controlled corporation	3,018,425,728	65.53%	*1*
BWI	Interests of controlled corporations	3,018,425,728	65.53%	*1*
北京房山國有資產經營有限責任公司 (Beijing Fangshan State-owned Assets Management Co. Ltd.*) ("Beijing Fangshan")	Interests of controlled corporations	3,018,425,728	65.53%	*1*
首鋼總公司 (Shougang Corporation*)	Interests of controlled corporations	3,018,425,728	65.53%	*1*
VMS Investment Group Limited ("VMSI")	Beneficial owner	231,231,915	5.02%	*2*
VMS Holdings Limited ("VMSH")	Interest of a controlled corporation	231,231,915	5.02%	*2*

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Long positions in the shares/underlying shares of the Company (continued)

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the issued share capital of the Company as at 31.12.2014	*Note*
Mak Siu Hang Viola ("Ms. Mak")	Interests of controlled corporations	231,231,915	5.02%	*2*

Notes:

* *For identification purpose only*

1. *SAL was a wholly owned subsidiary of BWI HK which in turn was wholly owned by BWI. BWI was held as to 55.45% by Shougang Corporation and as to 44.55% by Beijing Fangshan. The interests held by SAL, BWI HK, BWI, Shougang Corporation and Beijing Fangshan were the same block of shares of the Company.*

2. *Ms. Mak indicated in her disclosure form dated 29 December 2014 (being the latest disclosure form filed up to 31 December 2014) that as at 23 December 2014, her interests were the interests held by VMSI, a wholly owned subsidiary of VMSH which in turn was wholly-owned by Ms. Mak. Ms. Mak and VMSH were therefore deemed to be interested in the shares of the Company which VMSI was interested in.*

Save as disclosed above, as at 31 December 2014, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/ or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this annual report.

SHARE OPTION SCHEME

On 6 June 2014, the shareholders of the Company adopted a share option scheme (the "Scheme").

The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries and/or any of the entities in which any member of the Group holds any equity interest (the "Invested Entities"). The Scheme shall be valid and effective from 18 June 2014, being the date on which the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the Scheme, and ending on 6 June 2024, being the tenth anniversary of the date on which the Scheme was adopted by the shareholders of the Company (both dates inclusive).

Under the Scheme, the Board may, at its discretion, offer full-time or part-time employees, executives, officers or directors (including executive and non-executive directors) of the Company or any of its subsidiaries or any of the Invested Entities, and any advisors, consultants, agents, suppliers, customers and distributors, who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries and/or any of the Invested Entities, share options to subscribe for shares of the Company.

No share option has been granted under the Scheme. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the Scheme is 251,892,320, representing approximately 5.47% of the shares of the Company in issue as at the date of this annual report. The total number of shares of the Company issued and which may fall to be issued upon the exercise of share options to be granted under the Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the number of shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, which would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant (a) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the grant; and (b) having an aggregate value of in excess of HK$5,000,000 (based on the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of each grant), such further grant of options shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting on a poll at which the grantee, his/her associates and all core connected persons of the Company shall abstain from voting in favour of the resolution concerning the grant of such options, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular. Any grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is required to be approved by the Independent Non-executive Directors (excluding the Independent Non-executive Director who is the grantee of the options).

SHARE OPTION SCHEME (continued)

The period during which a share option may be exercised will be determined by the Board at its absolute discretion, save that no share option may be exercised more than ten years after it has been granted under the Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of offer of any share options.

The exercise price in relation to each share option will be determined by the Board at its absolute discretion and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer of share options; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1.00 as a consideration for his acceptance of the grant of share options in accordance with the Scheme. The offer of share options must be accepted within 30 days from the date of the offer.

Share options to be granted under the Scheme do not confer rights on the holders to dividends or to vote at general meetings.

No share option has been granted under the Scheme since its adoption. Accordingly, as at 31 December 2014, there was no share option outstanding under the Scheme.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the year.

DISTRIBUTABLE RESERVES

At the end of the reporting period, the Company did not have any reserves available for distribution as calculated in accordance with the relevant provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 70.08% of the total sales for the year and sales to the largest customer included therein amounted to approximately 50.46%. Purchases from the Group's five largest suppliers accounted for approximately 38.85% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 16.59%. The controlling shareholder of the Company was BWI, which together with its subsidiaries, was the largest customer and supplier of the Group. Save as disclosed above, none of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers.

CONNECTED TRANSACTION

On 5 August 2014, Billion Million (HK) Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, the Company, BWI HK and BWI entered into an agreement (the "Agreement") pursuant to which BWI HK conditionally agreed to sell and the Purchaser conditionally agreed to purchase 320 shares of €100 each (the "Sale Shares") in the share capital of BWI Europe Company Limited S.A., a company incorporated in Luxembourg (the "Target"). The consideration for the acquisition of the Sale Shares (the "Acquisition") was HK$997,000,000, and would be settled as follows:

(a) as to HK$697,000,000, by the allotment and issue by the Company to BWI HK (or to its nominee as BWI HK might direct in writing) 1,787,179,487 new shares of the Company at the issue price of HK$0.39; and

(b) as to the balance of HK$300,000,000, by (i) cash payment, (ii) the issue by the Company to BWI HK (or to its nominee as BWI HK might direct in writing) zero coupon convertible bonds, or (iii) a combination of (i) and (ii), to be agreed between the Purchaser and BWI HK.

The Sale Shares represented the entire issued share capital of the Target. The Target and its subsidiaries (the "Target Group") are principally engaged in the design, research and development and manufacturing of suspension products for premium passenger vehicle manufacturers and the provision of engineering services for suspension products. The suspension products of the Target Group are mainly used on premium passenger vehicles, and the products of the Target Group are mainly sold to passenger vehicle manufacturers in Europe. The Target Group has two production centers located in Poland and the United Kingdom, two technical centers located in France and Poland and four sales offices located in Poland, the United Kingdom, Germany and Italy.

As at the date of the Agreement, BWI was the controlling shareholder and a connected person of the Company and BWI HK was a wholly-owned subsidiary of BWI. Accordingly, the Acquisition constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. The Group was primarily involved in the manufacturing of chassis in the People's Republic of China and had no suspension products in the Group's portfolio. The Acquisition was a step taken by BWI in injecting its suspension business into the Group.

Details of the Acquisition were disclosed in the announcement of the Company dated 5 August 2014 and in the circular of the Company dated 27 November 2014. The Agreement was approved, confirmed and ratified by the independent shareholders of the Company on 19 December 2014. The Acquisition was completed on 23 December 2014 (the "Completion Date"). On the Completion Date, the consideration of the Acquisition was settled as to HK$697,000,000 by the allotment and issue of 1,787,179,487 new shares of the Company and as to the balance of HK$300,000,000 by cash pursuant to the agreement between the Purchaser and BWI HK. Details of the completion of the Acquisition were disclosed in the announcement of the Company dated 23 December 2014.

CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions were recorded during the year and up to the date of this annual report:

(a) Independent Aftermarket Distributorship Agreement

An independent aftermarket distributorship agreement (the "IAD Agreement") was entered into among the Provisional Liquidators, the Company and BWI on 13 November 2013 for the initial term commencing from 13 November 2013 and ending on 31 March 2016.

Pursuant to the IAD Agreement, BWI appointed the Company as non-exclusive distributor for certain specified chassis, suspension and brake products (the "Products"). BWI might supply the Products directly or through its subsidiaries (BWI and its subsidiaries, the "BWI Group") and the Company might with the prior written agreement of BWI appoint its subsidiaries as sub-distributors for the Products.

Under the IAD Agreement, the Company and the approved sub-distributors shall be entitled to purchase the Products from the BWI Group for the sole purpose of reselling the Products (based on prices agreed between BWI and the Company) to independent third party customers of the BWI Group who are currently purchasing the Products directly from the BWI Group in the independent aftermarket and OEM sector in Europe, or to new independent third party customers introduced by the BWI Group who are not currently clients of the BWI Group.

Each transaction under the IAD Agreement shall be entered into at arm's length or on terms no less favourable to the Company and the approved sub-distributors than terms that may be made available to or from independent third parties.

The annual cap amounts under the initial term of the IAD Agreement are as follows:

From 13 November 2013 to 31 March 2014	From 1 April 2014 to 31 March 2015	From 1 April 2015 to 31 March 2016
RMB10,000,000	RMB50,000,000	RMB60,000,000

The transactions under the IAD Agreement will ensure that the Group can as soon as possible develop and expand its current scale business within the autopart industry and provide the Group an opportunity to directly access the important automotive parts sector of the European Union. The transactions will help strengthen the Group's ability to carry out a stable and sustainable business operation in the interest of the shareholders of the Company as a whole.

CONTINUING CONNECTED TRANSACTIONS (continued)

(a) Independent Aftermarket Distributorship Agreement (continued)

As BWI has become a substantial shareholder of the Company since 23 January 2014, BWI is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the IAD Agreement would constitute continuing connected transactions for the Company. Details of the IAD Agreement were disclosed in the announcement of the Company dated 13 November 2013 and in the circular of the Company dated 20 November 2013. The IAD Agreement was approved, confirmed and ratified by the independent shareholders of the Company on 13 December 2013.

On the Completion Date, the Company has taken over the European-based suppliers of the BWI Group under the IAD Agreement. The transactions contemplated under the IAD Agreement on or after 23 December 2014 would not constitute continuing connected transactions for the Company any more.

(b) Friction Material and Stamped Parts Purchase Agreement

A friction material and stamped parts purchase agreement (the "FMSP Agreement") was entered into among the Provisional Liquidators, the Company and 京西重工(上海)有限公司 (BWI (Shanghai) Co., Ltd.) ("BWI Shanghai") on 13 November 2013 for the initial term commencing from 13 November 2013 and ending on 31 March 2016.

Pursuant to the FMSP Agreement, brake shoes, friction materials, braking systems, ball joints, shock absorbers, moulds and stamped parts would be supplied by the Company through its subsidiary 北泰汽車底盤系統(安徽)有限公司 (Norstar Automotive Chassis System (Anhui) Inc.) ("Norstar Chassis") to BWI Shanghai.

Each transaction under the FMSP Agreement shall be entered into at arm's length or on terms no less favourable to the Company and Norstar Chassis than terms that may be made available to or from independent third parties.

CONTINUING CONNECTED TRANSACTIONS (continued)

(b) Friction Material and Stamped Parts Purchase Agreement (continued)

The annual cap amounts under the initial term of the FMSP Agreement are as follows:

From 13 November 2013 to 31 March 2014	From 1 April 2014 to 31 March 2015	From 1 April 2015 to 31 March 2016
RMB7,500,000	RMB30,000,000	RMB30,000,000

The transactions under the FMSP Agreement are a continuation of the already established purchasing and supplying business between BWI Shanghai and the Company. To some extent, the transactions will help strengthen the Group's ability to carry out a stable and sustainable business operation in the interests of the shareholders of the Company as a whole.

As BWI has become a substantial shareholder of the Company since 23 January 2014, BWI Shanghai, being a subsidiary of BWI, is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the FMSP Agreement would constitute continuing connected transactions for the Company. Details of the FMSP Agreement were disclosed in the announcement of the Company dated 13 November 2013 and in the circular of the Company dated 20 November 2013. The FMSP Agreement was approved, confirmed and ratified by the independent shareholders of the Company on 13 December 2013.

(c) Parts and Components Supply Agreement

The Parts and Components Supply Agreement (the "Supply Agreement") was entered into between the Company and BWI on 25 November 2014 for a term commencing from 23 December 2014, the Completion Date, and ending on 31 December 2016.

Pursuant to the Supply Agreement, the Target Group would supply auto parts and components, including automobile controlled and passive suspension products, and prototypes to BWI and/or its associates (the "Sales").

The basis of determining the prices for the transactions under the Supply Agreement is in accordance with the cost plus approach at margins within the range or no less favourable to the margins of the other products of the Target Group supplied to independent third party customers for the prior financial year, and the pricing policies for continuing connected transactions of the Group.

CONTINUING CONNECTED TRANSACTIONS (continued)

(c) Parts and Components Supply Agreement (continued)

The cap amounts of the Sales under the Supply Agreement for each of the three financial years ending 31 December 2016 are as follows:

For the financial year ended 31 December 2014	For the financial year ending 31 December 2015	For the financial year ending 31 December 2016
RMB68,000,000	RMB80,000,000	RMB96,000,000

The transactions under the Supply Agreement are a continuation of the already established purchasing and supplying business between BWI and/or its associates and the Target Group. The transactions will provide a stable stream of revenue for the Target Group.

The Target Group has become subsidiaries of the Company since the Completion Date. As BWI is a controlling shareholder of the Company, the transactions under the Supply Agreement would constitute continuing connected transactions for the Company. Details of the Supply Agreement were disclosed in the announcement of the Company dated 25 November 2014 and in the circular of the Company dated 27 November 2014. The Supply Agreement was approved and confirmed by the independent shareholders of the Company on 19 December 2014.

(d) Mutual Technical Services Agreement

The Mutual Technical Services Agreement (the "Services Agreement") was entered into between the Company and BWI on 25 November 2014 for a term commencing from 23 December 2014, the Completion Date, and ending on 31 December 2016.

Pursuant to the Services Agreement, BWI and/or its associates would provide technical services comprising engineering services and manufacturing services to the Target Group (the "BWI Services") and the Target Group would provide technical services to BWI and/or its associates (the "Company Services").

The basis of determining the technical fees for the transactions contemplated under the Services Agreement shall be: (1) cost plus 5% for engineering services; and (2) cost plus 1.5% for manufacturing services.

CONTINUING CONNECTED TRANSACTIONS (continued)

(d) Mutual Technical Services Agreement (continued)

The cap amounts of the BWI Services and the Company Services under the Services Agreement for each of the three financial years ending 31 December 2016 are as follows:

	For the financial year ended 31 December 2014	For the financial year ending 31 December 2015	For the financial year ending 31 December 2016
Cap amounts for the BWI Services	RMB170,000,000	RMB195,000,000	RMB220,000,000
Cap amounts for the Company Services	RMB78,000,000	RMB90,000,000	RMB104,000,000

The transactions under the Services Agreement are a continuation of the already established mutual provision of technical services business between BWI and/or its associates and the Target Group.

The Target Group has become subsidiaries of the Company upon the Completion Date. As BWI is a controlling shareholder of the Company, the transactions under the Services Agreement would constitute continuing connected transactions for the Company. Details of the Services Agreement were disclosed in the announcement of the Company dated 25 November 2014 and in the circular of the Company dated 27 November 2014. The Services Agreement was approved and confirmed by the independent shareholders of the Company on 19 December 2014.

(e) Technology License Agreement

The Technology License Agreement (the "License Agreement") was entered into between BWI Poland Technologies sp. z o.o. ("BWI Poland"), a wholly owned subsidiary of the Company, and BWI North America Inc. (as joint licensors) and BWI (as licensee) on 25 November 2014 for a term commencing from 23 December 2014, the Completion Date, and ending on 31 December 2016.

Pursuant to the License Agreement, BWI Poland and BWI North America Inc. would grant a non-exclusive and transferrable license to BWI to use certain technical information in relation to the manufacture, test, validate, sell and provide application engineering support for 4 wheel suspension system (the "Know-how") for the production of suspension systems for light weight commercial vehicles and 4 wheel passenger vehicles in the People's Republic of China.

CONTINUING CONNECTED TRANSACTIONS (continued)

(e) Technology License Agreement (continued)

The license fee for the License Agreement would be determined on the basis of:

(a) if the revenue from the licensed product for the entire year is less than US$10,000,000, the license fee will be charged on 8% of the product revenue;

(b) if the revenue from the licensed product for the entire year exceeds US$10,000,000 but less than US$50,000,000, the license fee will be charged on the basis of 8% of the product revenue for the first US$10,000,000, and any part of the product revenue in excess of US$10,000,000 will be charged at 5% of the product revenue;

(c) if the revenue from the licensed product for the entire year exceeds US$50,000,000, the license fee will be charged on the basis of 8% of the product revenue for the first US$10,000,000, the part of the product revenue between US$10,000,001 and US$50,000,000 will be charged at 5% of the product revenue, and any part of the product revenue in excess of US$50,000,000 will be charged at 3.5% of the product revenue.

The license fee for the License Agreement would be paid by BWI to BWI Poland and BWI North America Inc. in the proportion of 85% and 15% respectively, which was determined based on the actual expense ratio of BWI Poland and BWI North America Inc. for providing the services under the technology license.

The cap amounts for the licensing of the Know-how under the License Agreement for each of the three financial years ending 31 December 2016 are as follows:

For the financial year ended 31 December 2014	For the financial year ending 31 December 2015	For the financial year ending 31 December 2016
RMB9,800,000	RMB10,500,000	RMB11,200,000

The transactions under the License Agreement are a continuation of the already established licensing arrangement among BWI Poland, BWI North America Inc. and BWI.

As BWI is a controlling shareholder of the Company, the transactions under the License Agreement would constitute continuing connected transactions for the Company. Details of the License Agreement were disclosed in the announcement of the Company dated 25 November 2014 and in the circular of the Company dated 27 November 2014. The License Agreement was approved and confirmed by the independent shareholders of the Company on 19 December 2014.

CONTINUING CONNECTED TRANSACTIONS (continued)

The continuing connected transactions as set out in (a) to (e) above which took place during the year have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has provided a letter to the Board of Directors of the Company confirming the matters stated in Rule 14A.56 of the Listing Rules in respect of the continuing connected transactions as set out in (a) to (e) above which took place during the year.

As far as the transactions took place during the year as set out in note 42(a) to financial statements under the heading of "Related Party Disclosures" are concerned, save for the provision of company secretarial services by Shougang Concord International Enterprises Company Limited was connected transaction which was exempt from any disclosure and shareholders' approval requirements under the Listing Rules, the remaining transactions were continuing connected transactions which had been approved by the independent shareholders of the Company.

As regards the transactions took place during the year as set out in note 42(b) to financial statements under the heading of "Related Party Disclosures", the provision of loan to the Group by a holding company was connected transaction which was exempt from any disclosure and shareholders' approval requirements under the Listing Rules. The remaining transactions were incidental to the continuing connected transactions which had been approved by the independent shareholders of the Company.

As far as the transactions took place during the year as set out in note 42(c) to financial statements under the heading of "Related Party Disclosures" are concerned, the remuneration of the Directors as determined pursuant to the service contracts entered into between the Directors and the Company was connected transaction which was exempt from any disclosure and shareholders' approval requirements under the Listing Rules. The remaining transactions did not constitute connected transactions under the Listing Rules.

NON-COMPETITION UNDERTAKING WITH CONTROLLING SHAREHOLDERS

As a condition precedent to the acquisition of the Target, a deed of non-competition was entered into between the Company and Shougang Corporation, Beijing Fangshan, BWI, BWI HK and SAL (collectively, the "Controlling Shareholders"), on 11 December 2014 (the "Deed"), which became effective on 23 December 2014, the Completion Date. Pursuant to the Deed, each of the Controlling Shareholders will not, and will procure any of their respective associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses; and if any future business opportunities that may arise from their existing customers and insofar that they are unable to supply the necessary products to such customers, they will consent to the Target Group in supplying such products. Details of the Deed are set out in the circular of the Company dated 27 November 2014.

REPORT OF THE DIRECTORS

NON-COMPETITION UNDERTAKING WITH CONTROLLING SHAREHOLDERS (continued)

The Company has received annual written declaration from the Controlling Shareholders on their compliance with the undertakings under the Deed. Based on the declaration, the Independent Non-executive Directors of the Company considered that the Controlling Shareholders had complied with the terms set out in the Deed during the period from 23 December 2014 to 31 December 2014.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 17 to 37 of this annual report.

EVENT AFTER THE REPORTING DATE

Details of significant events occurring after the reporting date are set out in note 46 to financial statements.

AUDITOR

SHINEWING (HK) CPA Limited, the auditor of the Company for the year ended 31 March 2011, resigned on 19 August 2013. Thereafter, ZHONGHUI ANDA CPA Limited ("ANDA") was appointed as auditor of the Company on 28 August 2013. ANDA resigned on 30 January 2015 and Ernst & Young ("EY") has been appointed as auditor of the Company with effect from 30 January 2015 to fill the vacancy following the resignation of ANDA.

The accompanying consolidated financial statements have been audited by EY, who will retire at the forthcoming annual general meeting. A resolution will be submitted to the forthcoming annual general meeting to re-appoint EY as auditor of the Company.

By Order of the Board
Jiang Yunan
Managing Director

Hong Kong, 26 March 2015

安永

TO THE SHAREHOLDERS OF BEIJINGWEST INDUSTRIES INTERNATIONAL LIMITED

(Formerly known as Norstar Founders Group Limited)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of BeijingWest Industries International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 58 to 138, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

BASIS FOR QUALIFIED OPINION

1. Corporate undertaking and guarantees

The Group had given corporate undertakings and guarantees with a principal amount of HK$1,381,000,000 together with related interest thereon to a scheme of arrangement with creditors as at 31 December 2013. These corporate undertakings and guarantees were disclosed as contingent liabilities and were not recognised in the Group's consolidated financial statements for the nine month period ended 31 December 2013. As explained in note 9 to the financial statements, the aforesaid undertakings and guarantees were released by the scheme of arrangement with creditors as part of the Group's restructuring which was completed in 2014, and the Group recognised a gain of HK$273 million in 2014 from such restructuring as a whole. Such corporate undertakings and guarantees should have been accounted for at fair value in the Group's consolidated financial statements for the nine months ended 31 December 2013. As the Group has not determined the fair value of the undertakings and guarantees, we are unable to quantify the amount of the adjustments that were required to be made to the Group's consolidated financial statements for the nine months ended 31 December 2013. Any adjustments for the unrecognised undertakings and guarantees as at 31 December 2013 would have an impact on the restructuring gain of HK$273 million recognised in the year ended 31 December 2014.

2. Amount due from a then associate/Amount due to a then associate

(i) Amount due from a then associate

We are unable to obtain direct audit confirmation in respect of an amount due from a then associate, of approximately HK$12,145,000 (equivalent to RMB9,625,000) as at 31 December 2013, and are unable to obtain sufficient evidence to satisfy ourselves as to the completeness and existence of the aforesaid balance. We are unable to perform other satisfactory audit procedures to satisfy ourselves that such amount due from the then associate was fairly stated at 31 December 2013. The Group recognised an impairment loss of HK$12,145,000 (equivalent to RMB9,625,000) in the year ended 31 December 2014 due to the liquidation of the then associate. Any adjustments for the amount due from the then associate as at 31 December 2013 would have an impact on the impairment loss recorded for the year ended 31 December 2014.

(ii) Amount due to a then associate

We are unable to obtain direct audit confirmation in respect of an amount due to a then associate of approximately HK$8,754,000 (equivalent to RMB6,938,000) as at 31 December 2013, and are unable to obtain sufficient evidence to satisfy ourselves as to the completeness and existence of the aforesaid balance. We are unable to perform other satisfactory audit procedures to satisfy ourselves that such amount due to the then associate was fairly stated at 31 December 2013. The Group has written back the aforesaid amount and recognised a gain in other income and gains of HK$8,754,000 (equivalent to RMB6,938,000) in 2014, as the then associate had completed its liquidation procedures in 2014 and the directors of the Company considered that the probability of being claimed for such liabilities is remote. Any adjustments for such amount due to the then associate as at 31 December 2013 would have an impact on the abovementioned gain recognised in the year ended 31 December 2014.

3. **Obligations under finance leases**

We are unable to obtain direct audit confirmation in respect of obligations under finance leases of approximately HK$32,142,000 as at 31 December 2013, and we have not been able to obtain sufficient evidence to ascertain the completeness and existence of the aforesaid balances as at 31 December 2013. We are unable to perform other satisfactory audit procedures to satisfy ourselves as to whether the aforesaid balances were fairly stated as at 31 December 2013. As explained in note 9 to the financial statements, pursuant to the scheme of arrangement with creditors and the completion of the Group's restructuring in 2014, such financial lease obligations had effectively been borne by the scheme of arrangement with creditors. Thereby the Group's finance lease obligations were discharged and the Group recognised a restructuring gain of HK$273 million in 2014 from such restructuring as a whole. Accordingly, these obligations under finance leases were derecognised by the Group during the year ended 31 December 2014. Any adjustments that may be required to be made to these obligations under finance leases as at 31 December 2013 would have an impact on the restructuring gain of HK$273 million recognised in the year ended 31 December 2014.

Without taking into account the shorter length of the accounting period for the nine months ended 31 December 2013 arising from the change of financial year end from 31 March to 31 December in January 2014, the comparative figures for the nine months ended 31 December 2013 shown in these consolidated financial statements may not be comparable with the figures for the current year, because of the matters mentioned above.

QUALIFIED OPINION ON THE FINANCIAL PERFORMANCE AND CASH FLOWS

In our opinion, except for the possible effects of the matters described in the "Basis for qualified opinion" paragraphs, the consolidated statement of profit or loss, the consolidated statement of comprehensive income and the consolidated statement of cash flows give a true and fair view of the financial performance and cash flows of the Group for the year ended 31 December 2014 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.

OPINION ON THE FINANCIAL POSITION

In our opinion, the consolidated statement of financial position of the Group and the statement of financial position of the Company give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2014 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.

OTHER MATTER

The consolidated financial statements of the Group for the nine months period ended 31 December 2013 were audited by the predecessor auditor, ZHONGHUI ANDA CPA Limited, who expressed a qualified opinion and an emphasis of matter on those statements on 27 March 2014.

Certified Public Accountants

26 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	NOTES	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
REVENUE	7	**3,354,614**	108,987
Cost of sales		**(2,583,901)**	(106,602)
Gross profit		**770,713**	2,385
Other income and gains, net	7	**42,361**	14,862
Gain on the Group's restructuring	9	**272,913**	–
Selling and distribution costs		**(39,161)**	(5,314)
Administrative expenses		**(267,408)**	(14,939)
Research and development expenses		**(357,110)**	–
Restructuring costs incurred		**(3,870)**	(19,764)
Other operating expenses, net		**(23,118)**	(17,217)
Finance costs	10	**(6,764)**	(8,124)
PROFIT/(LOSS) BEFORE TAX	8	**388,556**	(48,111)
Income tax expense	12	**(44,094)**	–
PROFIT/(LOSS) FOR THE YEAR/PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		**344,462**	(48,111)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	14		
Basic and diluted (HK cents per share)		**15.14**	(19.10)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
PROFIT/(LOSS) FOR THE YEAR/PERIOD	**344,462**	(48,111)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(90,943)**	(11,579)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Re-measurement loss on defined benefit plans	**(10,779)**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF INCOME TAX	**(101,722)**	(11,579)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT	**242,740**	(59,690)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	NOTES	31 December 2014 HK$'000	31 December 2013 HK$'000 (Restated)	1 April 2013 HK$'000 (Restated)
Non-current assets:				
Property, plant and equipment	15	**331,572**	99,233	85,460
Prepaid land lease payments	16	**12,285**	–	–
Goodwill	17	**6,541**	–	–
Investment in an associate	19	**–**	–	–
Deferred tax assets	32	**30,909**	–	–
Total non-current assets		**381,307**	99,233	85,460
Current assets:				
Inventories	20	**194,465**	26,678	34,444
Trade and bills receivables	21	**485,469**	62,344	98,062
Prepayments, deposits and other receivables	22	**46,704**	19,391	18,910
Due from fellow subsidiaries	42(b)	**53,134**	–	–
Due from holding companies	42(b)	**56,772**	–	–
Cash and cash equivalents	23	**357,513**	361	200
Total current assets		**1,194,057**	108,774	151,616
Current liabilities:				
Trade payables	24	**439,201**	36,646	43,591
Other payables and accruals	25	**187,711**	94,357	66,993
Amounts due to schemes	26	**–**	481,286	475,567
Senior note	27	**–**	15,690	15,529
Due to fellow subsidiaries	42(b)	**65,827**	–	–
Due to holding companies	42(b)	**439,141**	2,750	–
Income tax payables		**37,051**	17,163	16,729
Obligations under finance leases	28	**–**	32,142	32,142
Bank borrowings	29	**54,914**	22,710	21,572
Defined benefit obligations	30	**1,097**	–	–
Provision	31	**40,717**	–	–
Total current liabilities		**1,265,659**	702,744	672,123
Net current assets/liabilities		**(71,602)**	(593,970)	(520,507)
TOTAL ASSETS LESS CURRENT LIABILITIES		**309,705**	(494,737)	(435,047)

	NOTES	**31 December 2014 HK$'000**	31 December 2013 HK$'000 (Restated)	1 April 2013 HK$'000 (Restated)
Non-current liabilities:				
Defined benefit obligations	30	**72,964**	–	–
Deferred tax liabilities	32	**8,819**	–	–
Loan from a holding company	42(b)	**567**	–	–
Total non-current liabilities		**82,350**	–	–
NET ASSETS/(LIABILITIES)		**227,355**	(494,737)	(435,047)
EQUITY				
Equity attributable to owners of the parent				
Issued capital	33	**46,061**	2,519	125,946
Reserves	35	**181,294**	(497,256)	(560,993)
Total equity		**227,355**	(494,737)	(435,047)

Jiang Yunan
Director

Li Shaofeng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	NOTES	Issued capital HK$'000 (note 33)	Share premium account HK$'000 (note 35(a)(ii))	Share option reserve HK$'000 (note 35(a)(iv))	Merger reserve HK$'000 (note 35(a)(v))	Defined benefit plan reserve HK$'000	Exchange fluctuation reserve HK$'000	Capital reserve HK$'000 (note 35(a)(iii))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014 (Restated)		2,519	1,655,209	–	(282,268)	–	48,996	–	(1,919,193)	(494,737)
Profit for the year		–	–	–	–	–	–	–	344,462	344,462
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	–	(90,943)	–	–	(90,943)
Re-measurement loss on defined benefit plans		–	–	–	–	(10,779)	–	–	–	(10,779)
Total comprehensive income/(loss) for the year		–	–	–	–	(10,779)	(90,943)	–	344,462	242,740
Issuance of the Subscription Shares	33(b)	15,555	166,132	–	–	–	–	–	–	181,687
Shareholders contribution		–	–	–	–	–	–	44,132	–	44,132
Issuance of the Class B Shares	33(b)	5,855	62,536	–	–	–	–	–	–	68,391
Exercise of the Warrants	33(c)	1,260	13,451	–	–	–	–	–	–	14,711
Share placements	33(d)	3,000	93,517	–	–	–	–	–	–	96,517
Acquisition of subsidiaries	33(e)	17,872	518,282	–	(462,240)	–	–	–	–	73,914
At 31 December 2014		46,061	2,509,127*	–*	(744,508)*	(10,779)*	(41,947)*	44,132*	(1,574,731)*	227,355

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine months ended 31 December 2013

	NOTES	Issued capital HK$'000 (note 33)	Share premium account HK$'000 (note 35(a)(ii))	Share option reserve HK$'000 (note 35(a)(iv))	Merger reserve HK$'000 (note 35(a)(v))	Defined benefit plan reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2013 (Restated)		125,946	1,655,209	8,964	(282,268)	–	60,575	(2,003,473)	(435,047)
Loss for the period (Restated)		–	–	–	–	–	–	(48,111)	(48,111)
Other comprehensive income/(loss) for the period:									
Exchange differences on translation of foreign operations (Restated)		–	–	–	–	–	(11,579)	–	(11,579)
Total comprehensive income/(loss) for the period (Restated)		–	–	–	–	–	(11,579)	(48,111)	(59,690)
Share options lapsed (Restated)	34	–	–	(8,964)	–	–	–	8,964	–
Completion of the Capital Restructuring (Restated)	33(a)	(123,427)	–	–	–	–	–	123,427	–
At 31 December 2013 (Restated)		2,519	1,655,209*	–*	(282,268)*	–*	48,996*	(1,919,193)*	(494,737)

* These reserve accounts comprise the consolidated reserves of HK$181,294,000 (nine months ended 31 December 2013: debit of HK$497,256,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	NOTES	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**388,556**	(48,111)
Adjustments for:			
Bank interest income	7	**(14)**	(1)
Gain on disposal of items of property, plant and equipment, net	8	**(9,446)**	–
Depreciation	8	**51,444**	9,589
Amortisation of prepaid land lease payments	8	**706**	–
Impairment of items of property, plant and equipment	8	**32,175**	14,229
Impairment of trade and bills receivables	8	**614**	2,865
Impairment of other receivables*	8	**12,359**	123
Provision against obsolete inventories	8	**6,927**	1,020
Finance costs	10	**6,764**	8,124
		490,085	(12,162)
Decrease in inventories		**18,577**	6,746
Decrease in trade and bills receivables		**70,066**	32,886
Decrease/(increase) in prepayments, deposits and other receivables		**18,396**	(637)
Increase in amount due from fellow subsidiaries		**(3,238)**	–
Decrease in amount due from holding companies		**11,700**	–
Decrease in trade payables		**(6,404)**	(6,945)
(Decrease)/increase in other payables and accruals		**(99,750)**	27,364
Increase in amounts due to fellow subsidiaries		**41,007**	–
Increase in defined benefit obligations		**2,888**	–
(Decrease)/increase in amounts due to holding companies		**(319,249)**	2,750
Decrease in warranty provision		**(1,113)**	–
Decrease in amounts due to schemes for arrangement		**(200,000)**	–
Cash generated from operations		**22,965**	50,002
Income tax paid		**(42,479)**	(5)
Net cash flows used in/from operating activities		**(19,514)**	49,997

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	NOTES	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
Net cash flows from/(used in) operating activities		**(19,514)**	49,997
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	15	**(86,802)**	(35,134)
Proceeds from disposals of property, plant and equipment		**20,370**	–
Acquisition of subsidiaries	36	**254,916**	–
Interest received		**14**	1
Net cash flows from/(used in) investing activities		**188,498**	(35,133)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans		**54,914**	42,395
Repayment of loans		**(22,710)**	(41,852)
Proceeds from the issue of the warrants	33(c)	**14,711**	–
Proceeds from the issue of shares		**250,078**	–
Proceeds from the share placement	33(d)	**96,517**	–
Interest paid		**(6,764)**	(1,516)
Repayment of a senior note		**(15,707)**	–
Repayment of a loan from a holding company		**(138,135)**	–
Net cash flows from/(used in) financing activities		**232,904**	(973)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**401,888**	13,891
Cash and cash equivalents at beginning of year/period		**361**	200
Effect of foreign exchange rate changes, net		**(44,736)**	(13,730)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		**357,513**	361

STATEMENT OF FINANCIAL POSITION

31 December 2014

	NOTES	**31 December 2014 HK$'000**	31 December 2013 HK$'000 (Restated)	1 April 2013 HK$'000 (Restated)
Non-current assets:				
Interests in subsidiaries	18	**586,154**	–	–
Current assets:				
Due from subsidiaries	18	**9,723**	–	–
Cash and cash equivalents	23	**33,101**	–	–
Total current assets		**42,824**	–	–
TOTAL ASSETS		**628,978**	–	–
Current liabilities:				
Other payables and accruals	25	**12,570**	27,462	6,918
Amounts due to schemes	26	**–**	200,000	200,000
Total current liabilities		**12,570**	227,462	206,918
Net current assets/(liabilities)		**30,254**	(227,462)	(206,918)
NET ASSETS/(LIABILITIES)		**616,408**	(227,462)	(206,918)
EQUITY				
Equity attributable to owners of the parent				
Issued capital	33	**46,061**	2,519	125,946
Reserves	35(b)	**570,347**	(229,981)	(332,864)
Total equity		**616,408**	(227,462)	(206,918)

Jiang Yunan
Director

Li Shaofeng
Director

1. CORPORATE INFORMATION

BeijingWest Industries International Limited (the "Company", formerly known as Norstar Founders Group Limited) is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY 1-1111, Cayman Islands and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company and its subsidiaries (collectively the "Group") were principally involved in the manufacture and sale of automotive parts and components and the trading of automotive parts and components.

As at 31 December 2014 and the date of approval of these financial statements, the immediate holding company of the Company is BWI Company Limited ("BWI (HK)"), which is incorporated in Hong Kong with limited liability. In the opinion of the directors of the Company (the "Directors"), the ultimate holding company is Shougang Corporation, which is a state-owned enterprise established in the People's Republic of China ("PRC") and is supervised by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality (the "Beijing Municipal Government").

As approved by the shareholders of the Company at an extraordinary general meeting held on 13 December 2013 and by the Registrar of Companies of Cayman Islands on 24 January 2014, the name of the Company was changed from "Norstar Founders Group Limited" to "BeijingWest Industries International Limited".

Completion of the Group's proposed restructuring, dismissal of winding-up petitions and resumption of trading in the shares of the Company

In January 2009, the Group found difficulties in meeting its obligations to settle the foreign exchange forward contracts and certain short-term debts. At the request of the Company, trading in the ordinary shares of the Company on the Main Board of the Stock Exchange was suspended since 19 January 2009.

On 6 February 2009, petitions to wind up the Company and Norstar Automobile Industrial Holding Limited ("NAIH"), a wholly-owned subsidiary of the Company, were presented to the High Court of Hong Kong (the "High Court") together with applications for the appointments of provisional liquidator(s) to preserve the assets of the Company and NAIH and to safeguard the interests of their creditors. Messrs. Lai Kar Yan (Derek), Darach E. Haughey and Yeung Lui Ming (Edmund) of Deloitte Touche Tohmatsu were appointed as the joint and several provisional liquidators (the "Provisional Liquidators") by the High Court on the same date for both the Company and NAIH.

1. CORPORATE INFORMATION (continued)

Completion of the Group's proposed restructuring, dismissal of winding-up petitions and resumption of trading in the shares of the Company (continued)

After taking into account of the substantial liabilities of the Group, the claims against the Group and the huge treasury losses, the Provisional Liquidators were of the view that both the Company and the Group as a whole appeared to be insolvent and were at a high risk of collapse unless the debt of the Group could be restructured and new capital injected by way of the introduction of a white knight investor. A restructuring (the "Proposed Restructuring") of the Group comprising (i) debt restructuring; and (ii) capital restructuring was formulated to address the indebtedness of the Company and NAIH and to regularise the financial position and capital needs of the Group through the introduction of an investor.

On 27 May 2013 and 29 May 2013, the Company submitted to the Stock Exchange the final proposal of the Proposed Restructuring comprising the following transactions:

(a) Debt restructuring

The debt restructuring is being effected through the NFG Scheme (note) and the NAIH Scheme (note) (collectively referred to as the "Schemes") pursuant to Section 166 of the Companies Ordinance to address the indebtedness of the Company and NAIH, respectively. Pursuant to the terms of the Schemes, all bank borrowings and liabilities of NAIH were cut-off as at 19 March 2010 and transferred to NAIH SPV (note), whilst all corporate guarantee claims and claims against the Company were transferred to NFG SPV (note). In this regard, subject to the proposed variations, the Company and NAIH have transferred all financial obligations/claims made against the respective companies to NFG SPV and NAIH SPV respectively except for the following:

(i) a repayment obligation from the Company in favour of NFG SPV for a fixed sum of HK$200 million pursuant to NFG Scheme ("NFG Repayment Obligation");

(ii) the obligation to repay the senior note (the "Senior Note") in a principal amount of HK$15,000,000 issued by NAIH pursuant to a senior note subscription agreement (the "Senior Note Subscription Agreement") dated 6 September 2010 (as amended and supplemented by the senior note supplemental deed dated 19 November 2013) entered into between the Company, NAIH, the Provisional Liquidators and Omni Success Limited ("OSL"), a company beneficially owned by Mr. Liu Zhong Liang, a director of Profound Global Limited ("Profound"), which was a then 40%-owned associate of the Company. Further details of the senior note subscription agreement are set out in the Company's announcement dated 5 October 2010;

(iii) 377,838,480 Subscription Shares (as detailed in (c) below) to be issued and allotted by the Company to NAIH SPV for the benefit of the NAIH Scheme Creditors (note); and

(iv) the share charge over NAIH's 40% interest in Profound (note), being a remaining NAIH Repayment Obligation Security (note).

1. CORPORATE INFORMATION (continued)

Completion of the Group's proposed restructuring, dismissal of winding-up petitions and resumption of trading in the shares of the Company (continued)

(b) Capital restructuring (the "Capital Restructuring")

The Capital Restructuring comprised:

(i) the par value of each ordinary share of the Company shall be reduced (the "Capital Reduction") from HK$0.10 to HK$0.002 by cancelling HK$0.098 of the paid-up capital on each ordinary share of the Company, resulting in the reduction of the issued share capital of the Company from HK$125,946,000 to HK$2,519,000;

(ii) immediately following the Capital Reduction, all unissued ordinary shares of HK$0.10 each in the authorised share capital of the Company will be cancelled (the "Capital Cancellation"). The authorised share capital of the Company became HK$2,519,000 at completion;

(iii) following the Capital Reduction, every five (5) issued Shares with par value of HK$0.002 each will be consolidated (the "Share Consolidation") into one new ordinary share of the Company at par value of HK$0.01 such that after the Capital Reduction, the Capital Cancellation and the Share Consolidation, the authorised share capital of the Company will be HK$2,519,000 divided into 251,892,320 new ordinary shares of the Company at par value of HK$0.01 each;

(iv) The authorised share capital of the Company will be increased from HK$2,519,000 to HK$100,000,000, divided into 10,000,000,000 new ordinary shares at par value of HK$0.01 each (the "Increase of Authorised Share Capital"); and

(v) immediately following the completion of the Increase of Authorised Share Capital, the authorised share capital of the Company shall be re-classified and re-designated as HK$100,000,000 divided into 10,000,000,000 shares at par value of HK$0.01 each, comprising of 9,414,453,759 new ordinary shares at par value of HK$0.01 each and 585,546,241 Class B ordinary shares at par value of HK$0.01 each.

1. CORPORATE INFORMATION (continued)

Completion of the Group's proposed restructuring, dismissal of winding-up petitions and resumption of trading in the shares of the Company (continued)

(c) Execution of the subscription agreement

Pursuant to the subscription agreement (as amended and supplemented by the supplemental agreements dated 2 September 2013 and 19 November 2013 and the side letter dated 24 October 2013) (the "Subscription Agreement") entered into between the Company, the Provisional Liquidators and Success Arrive Limited ("SAL") dated 31 May 2013, 1,555,538,480 new ordinary shares of the Company (the "Subscription Shares") at par value of HK$0.01 each and 585,546,241 new Class B ordinary shares of the Company (the "Class B Shares") at par value of HK$0.01 each shall be issued to SAL at the subscription price of HK$0.1168 per each Subscription Share and Class B Share. The aggregate cash proceeds from the issuance of the Subscription Shares and the Class B Shares of approximately HK$250 million shall be utilised as follows:

(i) HK$200 million for the fulfilment of the NFG Repayment Obligation;

(ii) approximately HK$15 million for the repayment of the Senior Note obligations; and

(iii) the remaining balance of approximately HK$35 million for the fees and expenses incurred/to be incurred in connection with the implementation of the restructuring and working capital of the Group.

(d) Issuance of the Senior Note

Details of which are set out in (a)(ii) above.

(e) Issuance of the warrants

Pursuant to the senior note supplemental deed entered into between the Company, NAIH, the Provisional Liquidators and OSL dated 19 November 2013, warrants (the "Warrants") to subscribe for 125,946,160 new ordinary shares of the Company at a subscription price of HK$0.1168 per share shall be issued to the shareholders of OSL.

(f) Group reorganisation

It represented the reorganisation of the Group's structure which envisaged that all the Company's direct and indirect shareholdings in the Scheme Companies (note), all the inter-company loans due by the Scheme Companies to the Company, and all rights and obligations in respect of litigation or any potential litigation involving or in the name of the Company as at 19 March 2010 were transferred to NFG SPV and NAIH SPV respectively.

On 20 November 2013, the Company published and despatched to the Company's shareholders a circular relating to the Proposed Restructuring, which was approved by the Scheme Creditors in the meeting of the Scheme Creditors and the shareholders in the extraordinary general meeting on 23 November 2013 and 13 December 2013 respectively.

1. CORPORATE INFORMATION (continued)

Completion of the Group's proposed restructuring, dismissal of winding-up petitions and resumption of trading in the shares of the Company (continued)

Further details of the Proposed Restructuring are set out in the Company's circular and announcements dated 20 November 2013, 25 November 2013 and 13 December 2013.

On 13 January 2014, the High Court ordered that the winding up petitions against the Company and NAIH be dismissed and the Provisional Liquidators be released and discharged, upon the publication of a resumption of trading notice by the Stock Exchange in respect of the shares of the Company.

The Proposed Restructuring and the resumption conditions have been completed and fulfilled on 23 January 2014 and the trading in the shares of the Company on the Stock Exchange has been resumed on 27 January 2014. Further details of which are set out in the Company's announcements dated 24 January 2014 and 27 January 2014 respectively. The effect of the Proposed Restructuring has been reflected in the consolidated financial statements and details of which are set out in note 9 to the financial statements.

Note: Respective definitions are detailed in the Company's circular dated 20 November 2013.

2. CHANGE OF FINANCIAL YEAR END DATE

Pursuant to a resolution of the Company's board of directors passed on 27 January 2014, the Company changed its financial year end date from 31 March to 31 December with effect from 27 January 2014 to align the financial year end date with that of BeijingWest Industries Co., Ltd. ("BWI"), an intermediate holding company of the Company.

Owing to the change of the financial year end date in the current year, the prior period's financial statements cover a period of nine months from 1 April 2013 to 31 December 2013. Accordingly, the comparative amounts presented for the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes, which were prepared for the nine months ended 31 December 2013, are not comparable.

3. CHANGES IN FUNCTIONAL AND PRESENTATION CURRENCY

In prior years, the Company's functional currency was determined as Renminbi ("RMB") by applying the provisions of paragraph 9 of HKAS 21 *The Effects of Changes in Foreign Exchange Rates* as RMB was the currency of the economic environment that influenced the Group's revenue generated from its businesses.

3. CHANGES IN FUNCTIONAL AND PRESENTATION CURRENCY (continued)

Upon the completion of the acquisition of BWI Europe Company Limited S.A. ("BWI Europe"), a wholly-owned subsidiary of the Group whose functional currency is Euro on 23 December 2014 as detailed in note 4.1 to the financial statements, the Directors considered that the primary economic environment has been substantially changed. Since then, the Company's primary source of revenue (i.e. dividend) is derived from the operation of BWI Europe. The Company receives dividends in Hong Kong dollars ("HK$") from BWI Europe through Billion Million (HK) Limited ("Billion Million"), an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong and the immediate holding company of BWI Europe. Moreover, the funds raised from share placement of the Company as detailed in note 33(d) to the financial statements during the year were in HK$. Accordingly, the Directors consider that it is more appropriate to adopt HK$ as the functional currency of the Company and the presentation currency of the Group and the Company.

The change in functional currency of the Company was applied prospectively from the date of change. On the date of the change of functional currency, all assets, liabilities and profit or loss items were translated into HK$ at the exchange rate on that date.

The Company changed the presentation currency of its consolidated financial statements from RMB to HK$ following the change of functional currency of the Company. The Directors are in the opinion that the change simplifies the financial reporting process and provides users of the financial statements with more comparable information with other companies in similar industries. The change in presentation currency of the Group and the Company was applied retrospectively. The comparative figures presented in these consolidated financial statements have also been restated to reflect the change the presentation currency from RMB to HK$ accordingly.

4.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 and 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention and are presented in HK$. All values are rounded to the nearest thousand except when otherwise indicated.

Pursuant to the agreement for the sale and purchase of shares of BWI Europe Company Limited S.A. dated 5 August 2014 entered into between the Company, Billion Million, BWI and BWI (HK), a wholly-owned subsidiary of BWI, Billion Million had completed the acquisition of a 100% equity interest in BWI Europe (the "BWI Europe Acquisition") on 23 December 2014 at a consideration of HK$997,000,000, which was satisfied by:

(a) allotment of 1,787,179,487 new ordinary shares of the Company to BWI (HK) at HK$0.39 per share; and

(b) cash payment of HK$300,000,000.

4.1 BASIS OF PREPARATION (continued)

In addition, BWI (HK) is entitled to the profit after taxes of BWI Europe for the period from 1 January 2014 to the last day of the calendar month immediately preceding the completion date of the BWI Europe Acquisition.

As the Company and BWI Europe were under common control of BWI (HK) since 23 January 2014, and BWI Europe was controlled by BWI (HK) both before and after the BWI Europe Acquisition, the BWI Europe Acquisition was regarded as a business combination under common control and accounted for using the merger accounting basis as if the BWI Europe Acquisition had been completed at the beginning of accounting periods as presented in these financial statements, or at the date when the Company and BWI Europe were under common control, whichever the later. Accordingly, the consolidated financial statements of the Company are prepared as if the BWI Europe Acquisition had been completed on 23 January 2014, being the date which the Company and BWI Europe were under common control of BWI (HK).

The consolidated financial statements have been prepared to present the assets and liabilities of the subsidiaries acquired pursuant to the BWI Europe Acquisition using the existing book values from the controlling shareholders' perspective.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases, except for the results of the subsidiaries acquired pursuant to the BWI Europe Acquisition, which have been consolidated since 23 January 2014 as mentioned above.

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

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

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

4.1 BASIS OF PREPARATION (continued)

Basis of presentation

Despite the fact that Group's current liabilities exceeded its current assets by HK$71,602,000, the Directors consider that the Group will have adequate funds available to enable it to operate as a going concern in the foreseeable future which is based on inter alia, the historical operating performance of BWI Europe and the following:

(a) the existing unutilised banking facilities available to the Group as at the date of approval of these financial statements; and

(b) BWI (HK) Limited, an immediate holding company of the Company, has confirmed to provide adequate financial support to the Company so as to maintain the Group to operate as a going concern entity in the foreseeable future.

Accordingly, these financial statements have been prepared on the going concern basis which assumes, among other things, the realisation of assets and satisfaction of liabilities in the normal course of business.

4.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements2010-2012 Cycle*	*Definition of Vesting Condition*
Amendment to HKFRS 3 included in *Annual Improvements2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements2011-2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

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

4.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

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

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

(a) In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

4.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

(b) The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

(c) The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

(d) HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

(e) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

4.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

(f) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 4.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Investments in associates

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

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

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

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5.

Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

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

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

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

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

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

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

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

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

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

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

Related parties

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

(a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a holding company of the Group; or

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

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

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

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

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

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

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

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

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

Leasehold improvements	Over the lease terms or 5 years, whichever is shorter
Buildings	3.33% – 5%
Machinery and equipment	9% – 20%
Computer equipment and others	18% – 33.33%
Motor vehicles	9% – 20%
Special tools	20%

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

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

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

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

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

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

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payables, other payables, amounts due to the Schemes, the Senior Note, amounts due to fellow subsidiaries and holding companies, loans from a fellow subsidiary and the holding company, bank borrowings and obligations under finance leases.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

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

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

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

Provisions

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

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

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

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

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

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

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

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

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

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

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

(b) from the rendering of services, based on the value of service provided; contract revenue on the rendering of services comprises the agreed contract amount; costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads;

technical services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion;

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

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

(e) Technical license services revenue is recognised based on the terms of the relevant agreement unless, having regard to the substance of the agreement, it is more appropriate to recognise revenue on some other systematic and rational basis.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

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

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

Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account.

Options which are cancelled prior to their exercise date or lapse are deleted from the register of outstanding options. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits as a movement in reserves.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Defined contribution plans

The employees of the Group's subsidiaries which operate in Mainland China and Europe are required to participate in central pension schemes operated by the local governments, the assets of which are held separately from those of the Group. Contributions are made by the subsidiaries based on a percentage of the participating employees' salaries and are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes. The employer contributions vest fully once made.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Defined benefit plan

The Group operates defined benefit pension plans which requires contributions to be made to a separately administered fund for employees of the Group's subsidiaries which operate in Europe. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to re-measurement gains and losses on defined benefit plans through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and

- net interest expense or income.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and

- the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Foreign currencies

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

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

The functional currencies of the Group's Mainland China and overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of the exchange fluctuation reserve relating to that particular foreign operation is recognised in profit or loss.

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

For the purpose of the consolidated statement of cash flows, the cash flows of certain Mainland China and overseas subsidiaries are translated into Hong Kong dollars at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Transfer of construction in progress to property, plant and equipment

Construction in progress is reclassified to appropriate category of property, plant and equipment when completed and ready for use. Thereafter, depreciation is calculated on a straight line basis to write off the cost of such property, plant and equipment to its residual value over its estimated useful life. It requires management's judgement and estimation to determine when the project under construction is substantially ready for its intended use, i.e. when it is capable of commercial operation based on the overall assessment of trial operation results. Further details of which are set out in note 15 to the financial statements.

Estimation uncertainty

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

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

The Group's management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods. Further details of which are set out in note 15 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of which are set out in note 17 to the financial statements.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the reporting period. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Management reassesses the estimation at the end of the reporting period. Further details of which are set out in note 15 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of which are set out in note 32 to the financial statements.

Defined benefit plan

The Group has recognised the defined benefit pension plan as a liability. The Group's obligations are determined using actuarial valuations, which rely on various assumptions and conditions. The assumptions used in actuarial valuation reports include discount rates, the growth rate of the benefits and other factors. The deviation from the actual result and the actuary result will affect the accuracy of related accounting estimates. Even though management is of the view that the above assumptions are reasonable, any changes in condition of assumptions will still affect the estimated liability amount of employee pension benefit obligations. Further details of which are set out in note 30 to the financial statements.

Impairment of trade and bills receivables

The policy for impairment of trade and bills receivables of the Group is based on the evaluation of collectability and the ageing analysis of trade and bills receivables and on the judgement of the management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of the customers. Management reassesses the estimation at the end of the reporting period. Further details of which are set out in note 21 to the financial statements.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision against obsolete inventories

Management reviews the condition of inventories of the Group at the end of the reporting period and makes provision against obsolete and slow-moving inventory items identified that are no longer suitable for use or sale. Management estimates the net realisable value for such inventories based primarily on the latest sales invoice prices and current market conditions. Management reassesses the estimation at the end of the reporting period. Further details of which are set out in note 20 to the financial statements.

Provision for warranties

Provision for product warranties granted by the Group is recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. Further details of which are set out in note 31 to the financial statements.

6. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are attributable to a single operating segment, focusing on the manufacture and sale of automotive parts and components. Therefore, no analysis by operating segment is presented.

Products and services

(a) Revenue from external customers

	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
Product revenue	**3,224,086**	108,987
Technical services income	**130,528**	–
	3,354,614	108,987

6. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
United Kingdom	**1,697,468**	–
United States	**301,304**	–
Germany	**600,228**	–
Mainland China	**106,634**	108,987
Other countries	**648,980**	–
	3,354,614	108,987

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2014 HK$'000	2013 HK$'000 (Restated)
Poland	**193,011**	–
United Kingdom	**92,606**	–
Mainland China	**58,146**	99,233
Other countries	**6,635**	–
	350,398	99,233

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

6. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

During the reporting period, the revenues which were generated from two of the Group's customers and were individually accounted for more than 10% of the Group's total revenue are as follows:

	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
Customer A	**1,692,678**	–
Customer B	**353,440**	–
Customer C	**N/A***	20,931
Customer D	**N/A***	17,284
Customer E	**N/A***	13,239
Customer F	**N/A***	12,076
	2,046,118	63,530

* The corresponding revenue of these customers is not disclosed as they individually did not contribute over 10% of the Group's total gross revenue for the current year.

7. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents: (1) the net invoiced value of goods sold, net of value-added tax and government surcharges and excludes sale taxes, and after allowance for returns and trade discounts; and (2) an appropriate proportion of contract revenue of technical and consultancy service contracts.

An analysis of the Group's revenue, other income and gains, net, is as follows:

	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
Revenue		
Sale of goods	**3,224,086**	108,987
Technical services income	**130,528**	–
	3,354,614	108,987

	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
Other income		
Profit from sale of scrap materials	**51**	–
Bank interest income	**14**	1
Compensation for contract reduction	**15,465**	–
Sales of raw materials	**3,131**	–
Others	**5,168**	159
	23,829	160
Gains, net		
Write-off of other payables	**9,086**	–
Gain on disposal of items of property, plant and equipment	**9,446**	–
Foreign exchange differences, net	**–**	14,702
	18,532	14,702
Other income and gains, net	**42,361**	14,862

8. PROFIT/(LOSS) BEFORE TAX

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

	Notes	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
Cost of inventories sold		**2,583,901**	106,602
Depreciation	15	**51,444**	9,589
Amortisation of prepaid land lease payments	16	**706**	–
Minimum lease payments under operating leases:			
Buildings		**11,342**	2,212
Plant and equipment		**23,881**	6,642
Auditors' remuneration		**2,234**	694
Employee benefit expense (including directors' remuneration (note 11)):			
Wages, salaries and benefits		**346,764**	20,451
Defined benefit obligation expenses	30	**5,577**	–
		352,341	20,451
Research and development costs		**357,110**	–
Less: Staff costs included as research and development costs		**(145,041)**	–
Research and development costs, net of staff costs		**212,069**	–
Gain on disposal of items of property, plant and equipment, net		**(9,446)**	–
Impairment of items of property, plant and equipment*	15	**32,175**	14,229
Impairment of trade and bills receivables*	21	**614**	2,865
Impairment of other receivables*	22	**12,359**	123
Provision against obsolete inventories**	20	**6,927**	1,020
Provision for warranties, net	31	**12,387**	–
Foreign exchange differences, net		**23,118**	(14,702)

* The impairment amounts of items of property, plant and equipment, trade and bills receivables and other receivables are included in "Administrative expenses" in the consolidated statement of profit or loss.

** The provision against obsolete inventories is included in "Cost of sales" in the consolidated statement of profit or loss.

9. GAIN ON THE GROUP'S RESTRUCTURING

	Notes	Year ended 31 December 2014 HK$'000
Liabilities discharged:		
Amounts due to the Schemes	(a)	480,255
Senior Note	(a)	15,707
Accrued professional fees for the restructuring	(a)	35,078
Obligations under finance leases	(b)	32,142
Derecognition of property, plant and equipment secured for finance lease obligations	(b)	(6,387)
Total liabilities discharged and corporate guarantees released		556,795
Release of foreign currency translation reserve upon disposal of Profound	(c)	11,035
		567,830
Satisfied by:		
Proceeds from the issuance of the Subscription Shares	(d)	181,687
Proceeds from the issuance of the Class B Shares	(d)	68,391
Subscription Shares issued and allotted to NAIH SPV	(d)	44,132
Part of the proceeds from the issuance of the Warrants	(e)	707
		294,917
Gain on completion of the Group's restructuring		272,913

Notes:

(a) These liabilities alongside the NFG Undertaking*, the Fullitech Corporate Guarantee* and the charge over interest in Norstar Chassis* were repaid or discharged as appropriate upon the completion of the Proposed Restructuring on 23 January 2014 as detailed in note 1 to the financial statements.

(b) Pursuant to terms of the scheme of creditor arrangement and upon the completion of the Group's restructuring in 2014, the lessors have to agree with the administrator of the scheme of creditor arrangement on the value of the secured portion of these finance lease obligations to be borne by the schemes of creditor arrangement, and the remaining portion of these finance lease obligations shall be treated as unsecured liabilities which shall be settled by the schemes of creditor arrangement under pari passu terms with other creditors of the schemes of creditor arrangement. Accordingly, the Group was effectively being discharged from these obligations under finance leases, and hence the finance lease obligations of HK$32,142,000 together with those machineries subject to lessor's charges of net carrying value of HK$6,387,000 were all derecognised by the Group during the year ended 31 December 2014.

9. GAIN ON THE GROUP'S RESTRUCTURING (continued)

Notes (continued):

(c) Pursuant to an agreement entered into between NAIH, NAIH SPV and the Provisional Liquidators dated 19 March 2010, the Group's then 40% equity interest in Profound was pledged to NAIH SPV. The pledge was enforced by the Provisional Liquidators with effect from 23 January 2014 upon the completion of the Proposed Restructuring for the benefit of the NAIH Scheme Creditors. The Directors consider the significant influence of the Group to Profound was lost from that date and accounted for the transaction as a disposal of an associate.

(d) Pursuant to the Proposed Restructuring as detailed in note 1 to the financial statements, the proceeds from the issuance of the Subscription Shares and Class B Shares were used to settle the NFG Repayment Obligations, the Senior Note and the accrued professional fees for the restructuring. In addition, 377,838,480 Subscription Shares were issued and allotted by the Company to NAIH SPV for the benefit of the NAIH Scheme Creditors. The related consideration of HK$44,132,000 was borne by SAL and the amount was recognised as part of the cost of the Proposed Restructuring together with a corresponding increase in the Group's capital reserve.

(e) Part of the net proceeds from the issuance of the Warrants was used to settle the accumulated interest of the Senior Note.

* Respective definitions are detailed in the Company's circular dated 20 November 2013.

10. FINANCE COSTS

	Group	
	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
Interest on bank loans and other loans wholly repayable within five years derived from:		
– bank loans	**6,764**	–
– amounts due to the NAIH Scheme	**–**	6,447
– the Senior Note	**–**	161
– discounted bills	**–**	1,516
	6,764	8,124

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
Fees	**800**	38

An analysis of the directors' remuneration, on a named basis, is as follows:

	Group	
	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
Fees		
Executive directors:		
Mr. Jiang Yunan	**–**	–
Mr. Li Shaofeng	**–**	–
Mr. Craig Allen Diem	**–**	–
Mr. Bogdan Józef Such	**128**	–
Mr. Wang Zhong (resigned on 29 July 2014)	**–**	–
Madam Lily Huang (resigned on 27 January 2014)	**–**	–
Mr. Chin Chang Keng, Raymond (resigned on 27 January 2014)	**–**	38
Non-executive directors:		
Mr. Han Qing	**–**	–
Mr. Zhang Yaochun	**–**	–
Mr. Xu Ning (resigned on 23 December 2014)	**–**	–
Independent non-executive directors:		
Mr. Tam King Ching, Kenny	**224**	–
Mr. Leung Kai Cheung	**224**	–
Mr. Yip Kin Man, Raymond	**224**	–
Mr. Choi Tat Ying, Jacky (resigned on 20 January 2014)	**–**	–
	800	38

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2014 (nine months ended 31 December 2013: Nil).

The five highest paid employees during the year ended 31 December 2014 and the nine months ended 31 December 2013 were neither directors of the Company nor chief executive, and details of their remuneration are as follows:

	Group	
	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
Salaries, allowances and benefits in kind	**7,697**	1,042
Performance related bonuses	**129**	–
	7,826	1,042

The remuneration of these highest paid employees fell within the following bands:

	Number of employees	
	Year ended 31 December 2014	Period from 1 April 2013 to 31 December 2013
Nil to HK$1,000,000	**–**	5
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**4**	–
	5	5

12. INCOME TAX

No provision for Hong Kong profits tax has been made for the year ended 31 December 2013 as the Group did not generate any assessable profits arising in Hong Kong during the year (nine months ended 31 December 2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates. Rates of tax prevailing in the countries in which the Group operates include:

	Year ended 31 December 2014	Period from 1 April 2013 to 31 December 2013
Luxembourg	**21%**	N/A
Poland	**19%**	N/A
United Kingdom	**21.5%**	N/A
France	**33.33%**	N/A
Germany	**31.9%**	N/A
Italy	**31.4%**	N/A
Mainland China	**25%**	25%

	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000
Group:		
Current – Elsewhere	**48,228**	–
Deferred (note 32)	**(4,134)**	–
Tax charge for the year/period	**44,094**	–

12. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
Profit/(loss) before tax	**388,556**	(48,111)
Income tax charge at the Company's statutory tax rate of 16.5%	**64,112**	(7,939)
Effect of different income tax rates for foreign operations	**14,364**	(3,017)
Income not subject to tax	**(19,961)**	(618)
Expenses not deductible for tax purposes	**4,379**	11,574
Tax losses not recognised as deferred tax assets	**16,065**	–
Utilisation of prior year tax losses	**(34,865)**	–
Tax charge at the effective rate	**44,094**	–

13. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit/(loss) attributable to owners of the parent for the year ended 31 December 2014 includes a loss of HK$97,722,000 (nine months ended 31 December 2013: HK$20,544,000) which has been dealt with in the financial statements of the Company (note 35(b)).

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year/period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,274,932,466 (nine months ended 31 December 2013: 251,892,320) in issue during the year/period.

No diluted loss per share is presented for the year ended 31 December 2014 and the nine months ended 31 December 2013 as the Company did not have any outstanding dilutive potential ordinary shares during the year and the prior period.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Special tools HK$'000	Computer equipment and others HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2014							
At 31 December 2013 and 1 January 2014:							
Cost	**–**	**149,572**	**77**	**–**	**170**	**–**	**149,819**
Accumulated depreciation and impairment	**–**	**(50,432)**	**(31)**	**–**	**(123)**	**–**	**(50,586)**
Net carrying amount	**–**	**99,140**	**46**	**–**	**47**	**–**	**99,233**
At 1 January 2014, net of accumulated depreciation and impairment	**–**	**99,140**	**46**	**–**	**47**	**–**	**99,233**
Additions	**222**	**6,640**	**–**	**1,410**	**3,633**	**74,897**	**86,802**
Acquisition of subsidiaries (note 36)	**14,294**	**184,480**	**1,162**	**9,847**	**31,480**	**33,702**	**274,965**
Depreciation provided during the year	**(2,094)**	**(37,023)**	**(616)**	**(2,447)**	**(9,264)**	**–**	**(51,444)**
Disposals	**(154)**	**(9,325)**	**(9)**	**–**	**(1,436)**	**–**	**(10,924)**
Impairment	**–**	**(32,163)**	**–**	**–**	**(12)**	**–**	**(32,175)**
Transfers	**2,658**	**46,725**	**705**	**–**	**14,376**	**(64,464)**	**–**
Exchange realignment	**(2,379)**	**(28,972)**	**(202)**	**(1,033)**	**(5,953)**	**3,654**	**(34,885)**
At 31 December 2014, net of accumulated depreciation and impairment	**12,547**	**229,502**	**1,086**	**7,777**	**32,871**	**47,789**	**331,572**
At 31 December 2014:							
Cost	**19,884**	**391,150**	**4,053**	**15,306**	**58,511**	**47,789**	**536,693**
Accumulated depreciation and impairment	**(7,337)**	**(161,648)**	**(2,967)**	**(7,529)**	**(25,640)**	**–**	**(205,121)**
Net carrying amount	**12,547**	**229,502**	**1,086**	**7,777**	**32,871**	**47,789**	**331,572**
Nine months ended 31 December 2013 (Restated)							
At 1 April 2013:							
Cost	–	111,036	74	–	166	–	111,276
Accumulated depreciation and impairment	–	(25,693)	(25)	–	(98)	–	(25,816)
Net carrying amount	–	85,343	49	–	68	–	85,460
At 1 April 2013, net of accumulated depreciation and impairment	–	85,343	49	–	68	–	85,460
Additions	–	35,134	–	–	–	–	35,134
Depreciation provided during the period	–	(9,561)	(5)	–	(23)	–	(9,589)
Impairment	–	(14,229)	–	–	–	–	(14,229)
Exchange realignment	–	2,453	2	–	2	–	2,457
At 31 December 2013, net of accumulated depreciation and impairment	–	99,140	46	–	47	–	99,233
At 31 December 2013:							
Cost	–	149,572	77	–	170	–	149,819
Accumulated depreciation and impairment	–	(50,432)	(31)	–	(123)	–	(50,586)
Net carrying amount	–	99,140	46	–	47	–	99,233

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of plant and machinery at 31 December 2014 amounted to nil (2013: HK$22,366,000).

The Group carried out reviews of the recoverable amounts of its plant and machinery as at 31 December 2014 and 2013, having considered the competitiveness and market conditions of the Group's products, and recognised an impairment loss of HK$32,175,000 and HK$14,229,000 during the year ended 31 December 2014 and the nine months ended 31 December 2013 respectively.

The recoverable amount of the Group's machinery and equipment and computer equipment and others owned by Norstar Chassis were determined based on approximate fair value less cost of disposal of HK$67,116,000 as appraised by Beijing JinZhengYuan Assets Appraisal Co., Ltd, an independent professionally qualified valuer with an assumption that no guarantee is made nor liability is assumed and the external economic environment will not be unforeseeable and significantly changed in the future, as such the fair value less cost of disposal is higher than the value in use of such assets. Hence an impairment loss of HK$32,175,000 was recognised in the statement of profit or loss for the year ended 31 December 2014 in order to write down the net carrying amount of such assets to the recoverable amount.

The fair value is determined on sales comparison approach, which considered price recently paid for similar equipment with adjustments made to the indicated market prices to reflect condition and utility of the appraised equipments relative to market.

16. PREPAID LAND LEASE PAYMENTS

Group

	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000
Carrying amount at beginning of the year/period	**–**	–
Acquisition of subsidiaries (note 36)	**15,232**	–
Amortisation	**(706)**	–
Exchange realignment	**(2,241)**	–
Carrying amount at end of the year/period	**12,285**	–

The leasehold land is situated in Poland and is held under a long term lease.

17. GOODWILL

Group

	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000
Cost and net carrying amount:	**–**	–
At beginning of the year/period	**–**	–
Acquisition of subsidiaries (note 36)	**5,828**	–
Exchange realignment	**713**	–
Cost and net carrying amount at 31 December	**6,541**	–

Impairment testing of goodwill

Goodwill acquired through business combinations from acquisition of Delphi in 2009 has been allocated to an individual cash-generating unit ("CGU"), mainly representing by the product lines of automotive parts and components, for impairment testing. The recoverable amount of CGU has been determined based on value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projection as at 31 December 2014 is 13% which is based on the weighted average cost of capital, and cash flows beyond the five-year period are extrapolated using a growth rate of 1-2%.

Key assumptions were used in the value in use calculation of the CGU of product lines of automotive parts and components at 31 December 2014. The following describes each key assumption on which management has based its cash flow projections to undertake the impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

18. INTERESTS IN SUBSIDIARIES

	Notes	Company 2014 HK$'000	2013 HK$'000 (Restated)
Investments in subsidiaries, included in non-current assets			
Unlisted shares or investments, at cost	(a)	**292,269**	292,269
Less: Impairment	(b)	**(292,269)**	(292,269)
Net unlisted shares or investments, at cost		**–**	–
Due from a subsidiary	(c)	**586,154**	–
		586,154	–
Due from a subsidiary, included in current assets	(c)	**9,723**	–
Total interests in subsidiaries		**595,877**	–

Notes:

(a) Particulars of the principal subsidiaries are as follows:

Company name	Place and date of registration	Nominal value of issued ordinary/ authorised share capital	Percentage of attributable equity interest held by Company	Group	Principal activities
BWI France S.A.S.	France 13 August 2009	EUR2,002,500	–	100	Provision of research and technical services
BWI UK Limited	United Kingdom 16 June 2009	GBP5,938,975	–	100	Manufacture and sale of automotive parts and components
BWI Poland Technologies sp.z.o.o.	Poland 12 March 2009	PLN55,538,150	–	100	Manufacture and sale of automotive parts and components
Norstar Automotive Chassis System (Anhui) Inc.	China 19 June 2004	USD49,000,000	–	100	Marketing, trading and distribution of autoparts

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

(b) An impairment was recognised for an unlisted investment with a carrying amount of HK$292,269,000 (2013: HK$292,269,000) as at the end of the reporting period as the subsidiary has been loss-making for some time.

(c) The amounts due from a subsidiary are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, the amount advanced to a subsidiary included in the interests in subsidiaries above is considered as a quasi-equity loan to the subsidiary.

19. INVESTMENT IN AN ASSOCIATE

Group

	2014 HK$'000	2013 HK$'000 (Restated)
Share of net assets of the associate	–	392,867
Less: Impairment	–	(392,867)
	–	–

As a result of the persistent operating losses and insolvent financial position of Profound's subsidiaries, the Directors considered that it is unlikely to recover the Group's investment on Profound and a full impairment had been provided for during the year ended 31 March 2010.

Pursuant to an agreement entered into between NAIH, NAIH SPV and the Provisional Liquidators dated 19 March 2010, the Group's then 40% equity interest in Profound was pledged to NAIH SPV. The pledge was enforced by the Provisional Liquidators and the 40% equity interest in Profound was transferred to NAIH SPV upon the completion of the Proposed Restructuring for the benefit of the NAIH Scheme Creditors with effect from 23 January 2014. Such transfer was accounted for as a disposal of an associate during the year ended 31 December 2014.

Particulars of the Group's associate at 31 December 2013 were as follows:

Company name	Place of establishment/ operation	Nominal value of issued ordinary share capital	Percentage of attributable equity interest held by Group	Principal activities
Profound Global Limited	British Virgin Islands	20,000 ordinary shares of US$1 each	40%	Investment holding

20. INVENTORIES

Group

	2014 HK$'000	2013 HK$'000 (Restated)
Raw materials	135,765	9,451
Work in progress	21,857	13,237
Finished goods	55,093	6,740
	212,715	29,428
Provision for impairment	(18,250)	(2,750)
	194,465	26,678

20. INVENTORIES (continued)

The movements in the provision for impairment of inventories are as follows:

Group

	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
At beginning of the year/period	**(2,750)**	(1,674)
Acquisition of subsidiaries	**(9,814)**	–
Impairment losses recognised, net (note 8)	**(6,927)**	(1,020)
Exchange realignment	**1,241**	(56)
At end of the year/period	**(18,250)**	(2,750)

21. TRADE AND BILLS RECEIVABLES

Group

	2014 HK$'000	2013 HK$'000 (Restated)
Trade and bills receivables	**489,810**	65,708
Impairment	**(4,341)**	(3,364)
Total	**485,469**	62,344

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to three months for the customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has control to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Concentrations of credit risk are managed by analysis by customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. They are stated net of provisions.

21. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

Group

	2014 HK$'000	2013 HK$'000 (Restated)
Within 3 months	**485,469**	41,753
3 months to 1 year	**–**	19,347
Over 1 year	**–**	1,244
	485,469	62,344

The movements in provision for impairment of trade and bills receivables are as follows:

Group

	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
At beginning of the year/period	**(3,364)**	(457)
Acquisition of subsidiaries	**(32,950)**	–
Impairment losses recognised, net (note 8)	**(614)**	(2,865)
Amount written-off as uncollectible	**29,292**	–
Exchange realignment	**3,295**	(42)
At end of the year/period	**(4,341)**	(3,364)

Included in the provision for impairment of trade and bills receivables are provision for individually impaired trade receivables of HK$4,341,000 (2013: HK$3,364,000) with an aggregate carrying amount before provision of HK$28,269,000 (2013: HK$6,806,000). The individually impaired trade receivables relate to customers that were in unexpected financial difficulties. The Group does not hold any collateral or other credit enhancements over these balances.

21. TRADE AND BILLS RECEIVABLES (continued)

The aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

Group

	2014	2013
	HK$'000	HK$'000
		(Restated)
Neither past due nor impaired	**461,541**	41,753
Past due but not impaired:		
Less than 6 months past due	**–**	13,951
Over 6 months past due	**–**	3,198
	461,541	58,902

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	2014	2013
	HK$'000	HK$'000
		(Restated)
Prepayments	**8,138**	4,793
Deposits and other receivables	**51,106**	2,481
Due from associates	**–**	12,242
	59,244	19,516
Impairment	**(12,540)**	(125)
	46,704	19,391

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movements in provision for impairment of other receivables are as follows:

	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
At beginning of the year/period	**(125)**	–
Impairment losses recognised, net (note 8)	**(12,359)**	(123)
Exchange realignment	**(56)**	(2)
At end of the year/period	**(12,540)**	(125)

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

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 HK$'000	2013 HK$'000 (Restated)	**2014 HK$'000**	2013 HK$'000
Cash and bank balances denominated in:				
EURO ("EUR")	**266,889**	–	**–**	–
Great Pound Sterling ("GBP")	**28,137**	–	**–**	–
Polish Zloty ("PLN")	**2,313**	–	**–**	–
United States dollar ("US$")	**25,958**	–	**–**	–
RMB	**710**	361	**–**	–
HK$	**33,506**	–	**33,101**	–
	357, 513	361	**33,101**	–

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. There was no restricted cash at the end of year 2014.

The carrying amount of the cash and cash equivalents approximates to their fair value.

24. TRADE PAYABLES

An aged analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

Group

	2014	2013
	HK$'000	HK$'000
		(Restated)
Within 3 month	**407,266**	13,097
3 to 6 months	**4,456**	4,606
6 to 12 months	**3,669**	3,958
Over 12 months	**23,810**	14,985
	439,201	36,646

The trade payables are non-interest-bearing and are normally settled on 30 to 90 days' terms.

25. OTHER PAYABLES AND ACCRUALS

	Group		**Company**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Other payables	**149,195**	80,898	**11,103**	27,195
Accruals	**38,516**	4,649	**1,200**	–
Due to associates	**–**	8,810	**267**	267
	187,711	94,357	**12,570**	27,462

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

26. AMOUNTS DUE TO THE SCHEMES

Group

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
NFG Repayment Obligation	(a)	–	200,000
Amounts due to the NFG Scheme	(b)	–	75,871
Amounts due to the NAIH Scheme	(b)	–	205,415
		–	481,286

Notes:

(a) The balance is unsecured, interest-free and repayable on 31 December 2013 or on the completion of the Subscription Agreement, whichever is later. The balance was settled upon completion of the Subscription agreement on 23 January 2014 by the use of proceeds from the issuance of the Subscription Shares and the Class B Shares as detailed in note 1 to the financial statements.

(b) These represented amounts due by the Group to the subsidiaries transferred to NFG SPV and NAIH SPV pursuant to the Schemes effective on 19 March 2010. Except for a principal amount due to NAIH SPV of HK$139,840,000 (2013: HK$139,840,000) which bears interest at 5% per annum, all balances are unsecured, interest-free, and are repayable on demand or within one year. The balances were discharged upon completion of the Proposed Restructuring on 23 January 2014 as detailed in note 1 to the financial statements.

27. SENIOR NOTE

Pursuant to the Senior Note Subscription Agreement, the Senior Note dated 8 September 2010 and side letters dated 15 August 2011, 6 September 2012, 28 February 2013, 30 April 2013, 31 May 2013, 30 June 2013, 31 July 2013, 31 August 2013, 30 September 2013, 31 October 2013, 30 November 2013 and 31 December 2013, the Senior Note was unsecured, bore interest at the rate of HIBOR plus 1.05% per annum, and was repayable by 31 January 2014. The Senior Note was settled upon completion of the Senior Note Subscription Agreement on 23 January 2014 by the use of proceeds from the issuance of the Subscription Shares and the Class B Shares as detailed in note 1 to the financial statements.

28. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2013, the Group's obligations under finance leases HK$32,142,000 were secured by the lessors' charges over the leased assets. As further explained in note 9 to the financial statements, these finance lease obligations shall effectively be borne by the Schemes and the leased assets shall be returned to lessors by the Group, hence these finance lease obligations together with those assets subject to lessor's charges were all derecognised during the year ended 31 December 2014.

29. BANK BORROWINGS

Group

	Notes	2014 HK$'000	2013 HK$'000 (Restated)
Bank loans, unsecured	(b)	**54,914**	–
Discounted bills	(c)	**–**	22,710
		54,914	22,710
Analysed into, repayable:			
Within one year		**54,914**	22,710
In the second year		**–**	–
In the third to fifth years, inclusive		**–**	–
Beyond five years		**–**	–
Total bank borrowings		**54,914**	22,710
Portion classified as current liabilities		**(54,914)**	(22,710)
Non-current portion		**–**	–

Notes:

(a) The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2014 HK$'000	2013 HK$'000 (Restated)
PLN	**54,914**	–
RMB	**–**	22,710
	54,914	22,710

(b) The bank loans at 31 December 2014 bore interest at a rate of 1 month LIBOR plus 2.20% per annum.

(c) The Group's discounted bills were with recourse as at the reporting date and carried interest at 7% per annum.

30. DEFINED BENEFIT OBLIGATIONS

The Group have defined benefit pension plans, covering substantially all of its qualified employees in Poland, France and Germany. The amounts of employee benefit obligations recognised in the statement of financial position represent the present value of the unfunded obligations.

The defined benefit obligations were determined based on actuarial valuation performed by Towers Watson Consulting Company Limited, an independent actuary, whose registered office is located at 11th Floor, Kerry Center, 1515 West Nanjing Road, Shanghai, the PRC, using the projected unit credit method.

The components of net benefit expenses in profit or loss and the amounts recognised in the statement of financial position are summarised as follows:

(a) The provisions for defined benefit obligations recognised in the consolidated statement of financial position are shown as follows:

Group

	2014 **HK$'000**	2013 HK$'000 (Restated)
Present value of unfunded obligations	**74,061**	–
Portion classified as current liabilities	**(1,097)**	–
Non-current portion	**72,964**	–

(b) The movements of the defined benefit obligations are as follows:

Group

	Year ended **31 December** **2014** **HK$'000**	Period from 1 April 2013 to 31 December 2013 HK$'000
At beginning of the year/period	**–**	–
Acquisition of subsidiaries (note 36)	**69,113**	–
Current service costs	**3,218**	–
Interest cost on benefit obligations	**2,359**	–
Benefits paid during the year/period	**(1,193)**	–
Re-measurement losses recognised in other comprehensive income	**14,579**	–
Exchange realignment	**(14,015)**	–
At the end of year/period	**74,061**	–

30. DEFINED BENEFIT OBLIGATIONS (continued)

(c) The net expenses recognised in the consolidated profit or loss are analysed as follows:

Group

	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000
Current service costs	**3,218**	–
Interest cost on benefit obligations	**2,359**	–
Net benefit expenses	**5,577**	–

(d) The principal actuarial assumptions used in valuing the provisions for defined benefit obligations at the end of the reporting period are as follows:

		2014	
	Germany %	Poland %	France %
Discount rate	**2.30%**	**2.50%**	**1.75%**
Rate of salary increases	**3.00%**	**3.50%/4.00%**	**2.50%**
Rate of price inflation	**2.00%**	**2.50%**	**2.00%**
Rate of social security increases	**2.25%**	**N/A**	**N/A**
Pension increase rate	**2.00%**	**N/A**	**N/A**

The average duration of the provision for defined benefits at the end of the reporting period is as follows:

		2014	
	Germany Years	Poland Years	France Years
Average life expectancy			
Plan 1	**19 years**	**18 years**	**16 years**
Plan 2	**19 years**	**14 years**	**N/A**

30. DEFINED BENEFIT OBLIGATIONS (continued)

(e) The quantitative sensitivity analysis of the provisions for defined benefits as at the end of the reporting period is as follows:

Group

		2014		
	Increase in rate %	Increase/ (decrease) in provisions for defined benefits HK$'000	Decrease in rate %	Increase/ (decrease) in provisions for defined benefits HK$'000
Discount rate	1%	(10,029)	1%	12,468

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the provisions for defined benefits as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

31. PROVISION

	2014 HK$'000	2013 HK$'000
Product warranties:		
At beginning of the year/period	–	–
Acquisition of subsidiaries (note 36)	48,311	–
Provision, net (note 8)	12,387	–
Amounts utilised during the year/period	(13,941)	–
Exchange realignment	(6,040)	–
At end of the year/period	40,717	–

The Group provides one to five years' warranties to its customers on certain products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

32. DEFERRED TAX

The components of deferred tax assets and liabilities and their movements during the year are as follows:

Group

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising from business combination HK$'000	Total HK$'000
At 1 April 2013, 31 December 2013 and 1 January 2014	–	–	–
Acquisition of subsidiaries (note 36)	(5,345)	(4,528)	(9,873)
Deferred tax charged/(credited) to profit or loss during the year (note 12)	330	–	330
Exchange realignment	(369)	1,093	724
At 31 December 2014	**(5,384)**	**(3,435)**	**(8,819)**

Deferred tax assets

	Warranty provision HK$'000	Defined benefit pension plan HK$'000	Total HK$'000
At 1 April 2013, 31 December 2013 and 1 January 2014	–	–	–
Acquisition of subsidiaries (note 36)	14,166	12,944	27,110
Deferred tax charged/(credited) to profit or loss during the year (note 12)	2,838	966	3,804
Deferred tax charged/(credited) to the other comprehensive income during the year	–	3,800	3,800
Exchange realignment	(1,829)	(1,976)	(3,805)
At 31 December 2014	**15,175**	**15,734**	**30,909**

33. SHARE CAPITAL

	2014 HK$'000	2013 HK$'000 (Restated)
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each (2013: 9,414,453,759 ordinary shares of HK$0.01 each and 585,546,241 Class B Shares and HK$0.01 each)	**100,000**	100,000
Issued and fully paid:		
4,606,102,688 (2013: 251,892,320) ordinary shares of HK$0.01 each	**46,061**	2,519

A summary of the movements in the Company's issued share capital during the year ended 31 December 2014 and the nine months ended 31 December 2013 is as follows:

	Notes	Number of ordinary shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2013		1,259,461,601	125,946	1,655,209	1,781,155
Completion of the Capital Restructuring	(a)	(1,007,569,281)	(123,427)	–	(123,427)
At 31 December 2013 and 1 January 2014		251,892,320	2,519	1,655,209	1,657,728
Issuance of the Subscription Shares	(b)	1,555,538,480	15,555	166,132	181,687
Issuance of the Class B Shares	(b)	585,546,241	5,855	62,536	68,391
Exercise of the Warrants	(c)	125,946,160	1,260	13,451	14,711
Share placement	(d)	300,000,000	3,000	93,517	96,517
Acquisition of subsidiaries	(e)	1,787,179,487	17,872	518,282	536,154
At 31 December 2014		**4,606,102,688**	**46,061**	**2,509,127**	**2,555,188**

33. SHARE CAPITAL (continued)

Notes:

(a) The Capital Restructuring as detailed in note 1(b) to the financial statements was completed on 30 December 2013.

(b) The Subscription Shares and the Class B Shares as detailed in note 1(c) to the financial statements were issued on 23 January 2014 and the Class B Shares were converted into ordinary shares on 8 May 2014.

(c) The Warrants as detailed in note 1(e) to the financial statements were issued on 23 January 2014 and were fully exercised by the shareholders of Omni Success Limited on 27 January 2014 and 24 February 2014 subscribing for 100,756,928 and 25,189,232 new ordinary shares of the Company respectively.

(d) Pursuant to a placing agreement entered into between the Company and two placing agents dated 13 November 2014, 300,000,000 new ordinary shares of the Company were allotted and issued to not less than six placees who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons on 25 November 2014, at a price of HK$0.33 per share for a total net cash consideration of HK$96,517,000. Further details of the share placement are set out in the Company's announcement dated 25 November 2014.

(e) 1,787,179,487 new ordinary shares of the Company at HK$0.39 per share were allotted and issued to BWI (HK) on 23 December 2014 to settle part of the consideration for the BWI Europe Acquisition. Details of which are set out in notes 4.1 and 36 to the financial statements and further details of which are set out in the Company's circular dated 27 November 2014.

34. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme A") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme A include the Directors and other employees of the Group. The Scheme A became effective on 4 September 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The share options granted under the Scheme A lapsed on 3 September 2013.

On 6 June 2014, the shareholders of the Company adopted another share option scheme (the "Scheme B") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme B include full-time or part-time employees, executives, officers or directors (including executive and non-executive directors), any advisors, consultants, agents, suppliers of goods or services to the Group, customers and distributors, who, in the sole opinion of the Board, will contribute or have contributed to the Group. The Scheme B became effective on 18 June 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from 6 June 2014, the date on which the Scheme B was adopted by the shareholders of the Company (both dates inclusive).

The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the Scheme B is 251,892,320, representing approximately 5.47% of the shares of the Company in issue as at the date of the financial statements. The maximum number of shares issuable under share options to each eligible participant in the Scheme B within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

34. SHARE OPTION SCHEME (continued)

Share options granted a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The period during which a share option may be exercised will be determined by the Directors at its absolute discretion, save that no share option may be exercised more than ten years after it has been granted under the Scheme B. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of offer of any share options.

The exercise price in relation to each share option will be determined by the Directors at its absolute discretion and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer of share options; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1.00 as a consideration for his acceptance of the grant of share options in accordance with the Scheme B. The offer of share options must be accepted within 30 days from the date of the offer.

Share options to be granted under the Scheme B do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share option has been granted during the year ended 31 December 2014 and the nine months ended 31 December 2013. Accordingly, as at 31 December 2014, there was no share option outstanding.

35. RESERVES

(a) Group

(i) The amounts of the Group's reserves and the movements therein for the current year and prior period are presented in the consolidated statement of changes in equity.

(ii) Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account are distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(iii) The capital reserve represents the 377,838,480 Subscription Shares issued and allotted by the Company to NAIH SPV for the benefit of NAIH Scheme Creditors and paid by SAL, which a shareholders contribution by the immediate holding company.

(iv) The share option reserve comprises the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 4.4 to the financial statements. The amount will either be transferred to the share premium account when the related share options are exercised, or transferred to retained profits should the related share options lapse or be forfeited.

(v) The merger reserve represents the difference between the aggregate net assets of the subsidiaries acquired by the Group and the nominal amount and fair value of the Company's new ordinary shares issued at the date of reorganisation and the BWI Europe Acquisition as set out in the prospectus of the Company dated 29 September 2003 and note 4.1 to the financial statements respectively.

(b) Company

	Notes	**Share premium** HK$'000	**Capital reserve** HK$'000	**Share option reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 April 2013		1,655,209	–	8,964	(1,997,037)	(332,864)
Loss for the period and total comprehensive loss for the period		–	–	–	(20,544)	(20,544)
Completion of the Capital Restructuring	33(a)	–	–	–	123,427	123,427
Share options lapsed	34	–	–	(8,964)	8,964	–
At 31 December 2013 and 1 January 2014		1,655,209	–	–	(1,885,190)	(229,981)
Loss for the year and total comprehensive loss for the year		–	–	–	(97,722)	(97,722)
Issuance of the Subscription Shares	33(b)	166,132	–	–	–	166,132
Shareholders contribution		–	44,132	–	–	44,132
Issuance of the Class B Shares	33(b)	62,536	–	–	–	62,536
Exercise of the Warrants	33(c)	13,451	–	–	–	13,451
Share placement	33(d)	93,517	–	–	–	93,517
Acquisition of subsidiaries	33(e)	518,282	–	–	–	518,282
At 31 December 2014		2,509,127	44,132	–	(1,982,912)	570,347

36. BUSINESS COMBINATIONS UNDER COMMON CONTROL

As detailed in note 4.1 to the financial statements, the BWI Europe Acquisition was regarded as a business combination under common control and accounted for using the merger basis. The consolidated financial statements are prepared as if the BWI Europe Acquisition had completed on 23 January 2014, being the date BWI obtained the control over the Company.

BWI Europe was principally engaged in the manufacture and sale of automotive parts and components, and the provision of technical services in Europe. The carrying amounts of the assets and liabilities of BWI Europe as at the date of acquisition were as follows:

	Notes	**Carrying amounts recognised** HK$'000
Property, plant and equipment	15	274,965
Prepaid land lease payments	16	15,232
Goodwill	17	5,828
Deferred tax assets	32	27,110
Inventories	20	193,291
Trade receivables	21	493,805
Prepayments, deposits and other receivables	22	58,068
Due from fellow subsidiaries		49,896
Due from holding companies		68,472
Cash and cash equivalents		304,916
Trade payables		(408,959)
Other payables and accruals		(201,914)
Due to fellow subsidiaries		(24,820)
Due to a holding company		(14,393)
Tax payable		(14,139)
Current defined benefit obligations	30	(1,496)
Provision	31	(48,311)
Non-current defined benefit obligations	30	(67,617)
Deferred tax liabilities	32	(9,873)
Deferred revenue		(1,114)
Loan from a holding company		(138,702)
Net carrying amounts recognised at acquisition		560,245
Satisfied by:		
Cash		300,000
Allotment of new ordinary shares of the Company as consideration		536,154
Net profit of BWI Europe entitled by BWI (HK) (note 4.1)		186,331
		1,022,485
Merger reserve attributable to the acquisition of BWI Europe		(462,240)

36. BUSINESS COMBINATIONS UNDER COMMON CONTROL (continued)

The Group incurred transaction costs of HK$23,647,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash consideration	(300,000)
Cash and cash equivalents acquired	304,916
Outstanding cash consideration at end of year	250,000
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	254,916

Since the acquisition, BWI Europe contributed HK$3,241,742,000 to the Group's turnover and HK$181,135,000 to the consolidated profit for the year ended 31 December 2014.

Had the above business combinations taken place at the beginning of the year, the Group's profit for the year would have been HK$202,342,000 and the Group's revenue (comprising turnover and other income and gains, net) would have been HK$3,477,333,000.

37. NON-CASH TRANSACTIONS

Save as disclosed in transactions as detailed in notes 26, 27, 28 and 33 to the financial statements, the Group had no major non-cash transactions of investing and financing activities during the year ended 31 December 2014 and the nine months ended 31 December 2013.

38. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its property, plant and equipment under operating lease arrangements, with leases negotiated for terms ranging from one to five years (nine months ended 31 December 2013: one to two years).

At 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014	2013
	HK$'000	HK$'000
		(Restated)
Within one year	**16,013**	9,967
In the second to fifth years, inclusive	**25,244**	8,531
After five years	**–**	–
	41,257	18,498

At 31 December 2014, the Company did not have any operating lease commitments as lessee (2013: Nil).

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group had the following capital commitments at the end of the reporting period:

	2014	2013
	HK$'000	HK$'000
Contracted, but not provided for:		
Plant and machinery	**19,235**	–
Authorised, but not contracted for:		
Plant and machinery	**23,157**	–
	42,392	–

At 31 December 2014, the Company did not have any capital commitments (2013: Nil).

40. CONTINGENT LIABILITIES

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

41. LITIGATIONS

As at 31 December 2014, the Group has the following outstanding litigation:

(a) In December 2010, a court in the PRC had judged that various entities of Group were liable for the repayment of overdue finance lease obligations plus related overdue interest charges in respect of various finance lease agreements entered into between NAIH and a plaintiff which was guaranteed by certain entities of the Group. In the opinion of the Directors, the plaintiff's claims shall be dealt with in the manner stipulated under the terms of the Schemes and the Group's final restructuring as approved by the Schemes which was completed in January 2014. The Directors understand that the plaintiff is in discussion with the administrator of the Schemes to agree on the portion of secured liabilities in respect of such finance lease obligations to be borne by the Schemes, or the portion of secured liabilities can be determined based on the value of the relevant leased assets to be recovered by the plaintiff. The remaining portion of such finance lease obligations shall be treated as unsecured liabilities which shall be settled by the Schemes under pari passu terms with other creditors of the Schemes. Accordingly, the relevant leased assets were derecognised from the Group's financial statements for the year ended 31 December 2014, and the Directors are of view that the above court judgement shall not have any material adverse effect on the Group and no provision was made in respect thereof in the Group's consolidated financial statements for the year ended 31 December 2014.

(b) In July 2013, Norstar Chassis, a subsidiary of the Group, had received a first judgement from a court in the PRC which held that pursuant to lease agreements entered into between Norstar and two plaintiffs dated March 2010, Norstar Chassis shall settle the outstanding rentals as at 31 December 2014 amounting to HK$48 million, equivalent to RMB38 million (31 December 2013: HK$44 million, equivalent to RMB34 million), in respect of the lease of factory premises and machinery by Norstar Chassis from such two plaintiffs in the PRC. However, the actual scope of factory premises and machineries leased to Norstar Chassis was less than the scope stipulated in the original lease agreements dated in March 2010, and hence Norstar Chassis was of the view that the amount of outstanding rentals to be settled to the 2 plaintiffs shall be reduced as based on the supplemental agreements dated in January 2011 entered into between Norstar Chassis and such two plaintiffs. Accordingly, in August 2013, Norstar Chassis had filed an appeal against the amount of outstanding rentals payable to such 2 plaintiffs to a higher level court in the PRC. In addition, Norstar Chassis appealed for the set off of its rental payables against its receivables from such 2 plaintiffs. As at the date of approval of these financial statements, the second judgment from the court of appeal was still outstanding.

After taking into account legal and other advice, the Directors of the Company are of the opinion that the aforesaid supplemental agreements are legally effective, which shall be a valid ground of appeal and basis of determination of rental payable and had recognized the consequential provision for the rentals payable of HK$36 million (equivalent to RMB29 million) as at 31 December 2014 (31 December 2013 : HK$32 million, equivalent to RMB25 million). However, the outcome of the ultimate amounts of the rentals payable by Norstar Chassis to the two plaintiffs is subject to the second judgement of the higher level court.

42. RELATED PARTY DISCLOSURES

The related companies with which the Group had transactions and or balances were as follows:

Name of the related companies	Relationship with the Group
BWI	the intermediate holding company
SAL	the immediate holding company
BWI (HK)	the intermediate holding company
BWI Company Limited S.A.	a fellow subsidiary
BWI North America Inc.	a fellow subsidiary
BWI India Limited	a fellow subsidiary
Beijing West Industries (Shanghai) Co., Ltd ("BWI Shanghai")	a fellow subsidiary
Shougang Concord International Enterprise Company Limited ("Shougang Concord International")	an associate of the controlling shareholder
Beijing Shougang Automation Information Technology Co., Ltd. ("Shougang Automation")	a fellow subsidiary

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year/period:

	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
Sales of goods to:		
BWI North America Inc.	**38,655**	–
BWI Shanghai	**22,804**	–
BWI	**3,874**	–
BWI India Limited*	**1,578**	–
	66,911	–
Technical services provided to:		
BWI North America Inc.	**90,438**	–
BWI	**9,722**	–
BWI India Limited*	**2,673**	–
BWI (HK)	**1,106**	–
	103,939	–

42. RELATED PARTY DISCLOSURES (continued)

(a) Transactions with related parties (continued)

	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
Purchases of goods from:		
Shougang Automation	2,926	–
BWI	420	–
BWI North America Inc	364	–
BWI Shanghai	254	–
	3,964	–
Management and technical services provided by:		
BWI North America Inc.	194,761	–
BWI*	11,365	–
	206,126	–
Purchase of items of property, plant and equipment from:		
BWI North America Inc.*	3,106	–
BWI	790	–
	3,896	–
Interest expenses paid to:		
BWI (HK)*	4,343	–
	4,343	–
Company secretarial service fee paid to:		
Shougang Concord International	1,500	–

In the opinion of the Directors, the above transactions arose from the ordinary course of the Group's business and were conducted in accordance with mutually agreed terms.

* These transactions was discontinued upon the completion of the BWI Europe Acquisition.

42. RELATED PARTY DISCLOSURES (continued)

(b) Balances with related parties

Group

	NOTES	2014 HK$'000	2013 HK$'000 (Restated)
Amounts due from fellow subsidiaries	(i)		
BWI North America Inc.		**51,302**	–
BWI Shanghai		**1,832**	–
		53,134	–
Amounts due from holding companies	(ii)		
BWI		**56,388**	–
BWI (HK)		**384**	–
		56,772	–
Amounts due to fellow subsidiaries	(iii)		
BWI North America Inc.		**65,537**	–
Shougang Automation		**254**	–
BWI Shanghai		**36**	–
		65,827	–
Amounts due to holding companies	(iv)		
BWI (HK)		**436,331**	–
BWI		**2,810**	–
SAL		**–**	2,750
		439,141	2,750
Long term loan due to a holding company:			
BWI (HK)	(v)	**567**	–

42. RELATED PARTY DISCLOSURES (continued)

(b) Balances with related parties (continued)

Notes:

(i) The amounts due from fellow subsidiaries included in the Group's current assets, are unsecured, interest-free and repayable within one year.

(ii) The amounts due from holding companies included in the Group's current assets, are unsecured, interest-free and repayable within one year.

(iii) The amounts due to fellow subsidiaries included in the Group's current liabilities, are unsecured, interest-free and repayable within one year.

(iv) The amounts due to holding companies included in the Group's current liabilities, are unsecured, interest-free and repayable within one year.

(v) The long-term loan due to a holding company included in the Group's non-current liabilities is unsecured, bears interest at a rate of 4.758% per annum and repayable in 2016.

The related party transactions disclosed above also constitute connected transactions as defined in Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(c) Compensation of key management personnel of the Group

	Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000 (Restated)
Short term employee benefits	**7,826**	1,042
Pension scheme contributions	**–**	–
Total compensation paid to key management personnel	**7,826**	1,042

Further details of directors' emoluments are included in note 11 to the financial statements.

43. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group and the Company as at 31 December 2014 and 2013 were loans and receivables, and financial liabilities stated at amortised cost, respectively.

44. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Restated)	(Restated)		
Financial assets				
Trade and receivables	**485,469**	62,344	**485,469**	62,344
Financial assets included in prepayments, deposits and other receivables	**7,238**	14,598	**7,238**	14,598
Due from fellow subsidiaries	**53,134**	–	**53,134**	–
Due from holding companies	**56,772**	–	**56,772**	–
Cash and cash equivalents	**357,513**	361	**357,513**	361
	960,126	77,303	**960,126**	77,303
Financial liabilities				
Trade payables	**(439,201)**	(36,646)	**(439,201)**	(36,646)
Financial liabilities included in other payables and accruals	**(92,461)**	(80,898)	**(92,461)**	(80,898)
Amounts due to the Schemes	**–**	(481,286)	**–**	(481,286)
Senior Note	**–**	(15,690)	**–**	(15,690)
Due to fellow subsidiaries	**(65,827)**	–	**(65,827)**	–
Due to holding companies	**(439,141)**	(2,750)	**(439,141)**	(2,750)
Obligations under finance leases	**–**	(32,142)	**–**	(32,142)
Bank borrowings	**(54,914)**	(22,710)	**(54,914)**	(22,710)
The long-term loan from a holding company	**(567)**	–	**(567)**	–
	(1,092,111)	(672,122)	**(1,092,111)**	(672,122)
	(131,985)	(594,819)	**(131,985)**	(594,819)

44. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief accountant. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief accountant. The valuation process and results are discussed with the senior management twice a year for financial reporting purposes.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Management has assessed that the fair values of the above short-term financial instruments approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the long term financial instruments have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk as at 31 December 2014 and 31 December 2013 was assessed to be insignificant.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest bearing borrowings and cash and bank balances. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the board of directors of the Company holds meetings regularly to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are recognised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions in currencies other than the units' functional currency. The Group does not enter into any hedging transactions in order to reduce the Group's exposure to foreign currency risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the EUR, US$, GBP and PLN exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). In the opinion of the Directors, as the currency exposures arising from possible changes in other currencies will not have any significant financial impact on the Group's equity, the relative sensitivity is not disclosed.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/ (decrease) in foreign exchange rate	Increase/(decrease) in profit before tax	
		Year ended 31 December 2014 HK$'000	Period from 1 April 2013 to 31 December 2013 HK$'000
If HK$ strengthens against EUR	10%	**64,891**	–
If HK$ weakens against EUR	(10%)	**(64,891)**	–
If HK$ strengthens against USD	10%	**25,890**	–
If HK$ weakens against USD	(10%)	**(25,890)**	–
If HK$ strengthens against GBP	10%	**57,512**	–
If HK$ weakens against GBP	(10%)	**(57,512)**	–
If HK$ strengthens against PLN	10%	**23,809**	–
If HK$ weakens against PLN	(10%)	**(23,809)**	–

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group only trades with third parties recognised to be creditworthy, no pledge of assets is required from customers. Concentrations of credit risk are managed by analysis by customer.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 21 to the financial statements.

Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

The Group's current liabilities exceeded its current assets by HK$71, 602,000 as at 31 December 2014, the management have given careful consideration on the measures currently adopted to monitor the Group's liquidity position. The management consider that the Group will be able to meet with all of its financial obligations as and when they fall due as further explained in note 4.1 to the financial statements.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's non-derivative financial liabilities at the end of reporting period based on contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period.

Group

	Within 1 year HK$'000	1 to 3 years HK$'000	Over 3 years HK$'000	Total HK$'000
31 December 2014				
Trade payables	**(439,201)**	**–**	**–**	**(439,201)**
Financial liabilities included in other payables and accruals	**(92,461)**	**–**	**–**	**(92,461)**
Due to holding companies	**(439,141)**	**–**	**–**	**(439,141)**
Due to fellow companies	**(65,827)**	**–**	**–**	**(65,827)**
Bank borrowings	**(54,914)**	**–**	**–**	**(54,914)**
The long term loan from a holding company	**–**	**(567)**	**–**	**(567)**
	(1,091,544)	**(567)**	**–**	**(1,092,111)**
31 December 2013 (restated)				
Trade payables	(36,646)	–	–	(36,646)
Financial liabilities included in other payables and accruals	(80,898)	–	–	(80,898)
Amounts due to the Schemes	(481,286)	–	–	(481,286)
Senior Note	(15,690)	–	–	(15,690)
Due to a holding company	(2,750)	–	–	(2,750)
Obligations under finance leases	(32,142)	–	–	(32,142)
Bank borrowings	(22,710)	–	–	(22,710)
	(672,122)	–	–	(672,122)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new ordinary shares or sell assets to reduce debt. No changes in the objectives, policies or processes for managing capital were made during the year ended 31 December 2014.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. Net debt is calculated as the total of trade payables, financial liabilities included in other payables and accruals, amounts due to fellow subsidiaries, amounts due to holding companies, a long-term loan from a holding company, amounts due to the Schemes, the Senior Note, obligations under finance leases and bank borrowings, less cash and cash equivalents. Capital includes equity attributable to owners of the parent.

Group

	2014	2013
	HK$'000	HK$'000
		(Restated)
Trade payables	**439,201**	36,646
Financial liabilities included in other payables and accruals	**92,461**	80,898
Amounts due to the Schemes	**–**	481,286
Senior Note	**–**	15,690
Due to fellow subsidiaries	**65,827**	–
Due to holding companies	**439,141**	2,750
Long-term loan from a holding company	**567**	–
Obligations under finance leases	**–**	32,142
Bank borrowings	**54,914**	22,710
Less: Cash and cash equivalents	**(357,513)**	(361)
Net debt	**734,598**	671,761
Equity	**227,355**	(494,737)
Net debt and equity	**961,953**	(177,024)
Gearing ratio	**76.37%**	(379.47%)

46. EVENT AFTER THE REPORTING PERIOD

Pursuant to a written resolution of the directors of Fullitech International Limited ("Fullitech"), a subsidiary of the Company, Fullitech commenced voluntary liquidation in February 2015 under relevant British Virgin Islands laws and regulations, the place of incorporation of Fullitech. Thereby the Group effectively commenced the disinvestment of the PRC auto part businesses operated by the subsidiaries of Fullitech.

47. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated in the preparation of these financial statements as a result of the change in presentation currency as detailed in note 3 to the financial statements.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2015.