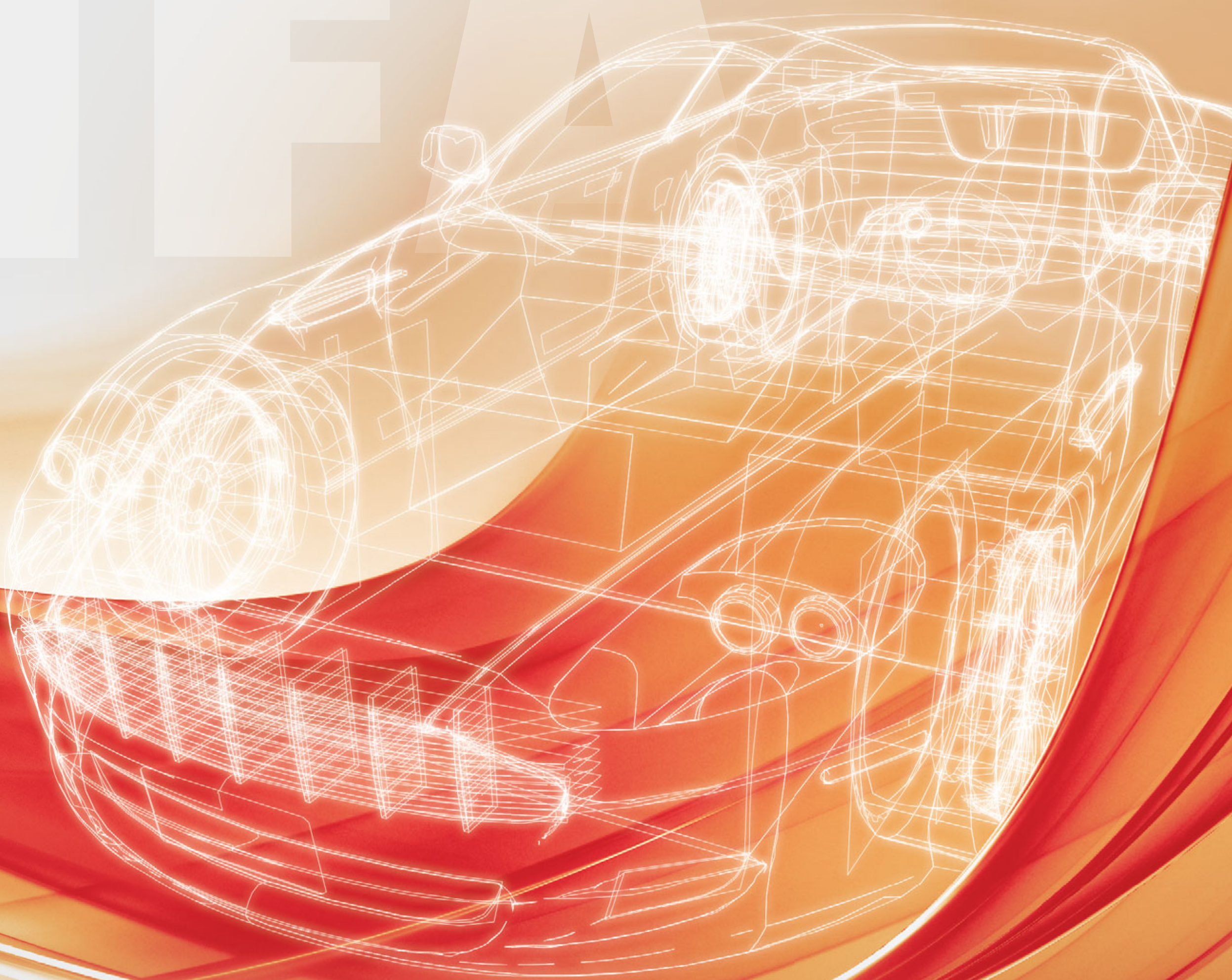
新焦點汽車技術控股有限公司*

New Focus Auto Tech Holdings Limited

(Incorporated in the Cayman Islands with limited liability) Stock Code: 360

ANNUAL REPORT 2015



* For identification purpose only

CONTENTS

CORPORATE INFORMATION

Directors

Executive Directors

Zhang Jianxing *(Chairman/Chief Executive Officer)*
Du Jinglei

Non-executive Directors

Ying Wei
Wang Zhenyu

Independent Non-executive Directors

Hu Yuming
Lin Lei
Zhang Xiaoya

Company Secretary

Liu Xiaohua

Registered Office

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

Principal Place of Business in Hong Kong

5/F, 180 Hennessy Road
Wan Chai
Hong Kong

Auditor

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road Central
Hong Kong

Legal Advisers

O'Melveny & Myers
31st Floor, AIA Central
1 Connaught Road
Central
Hong Kong

Principal Share Registrar and Transfer Office

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

Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited
17M/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Stock Code

360

Websites

http://www.nfa360.com

CHAIRMAN'S STATEMENT

On behalf of the Board, I express my sincere gratitude to all our shareholders, customers and parties who have long been supportive to the Group and to present the business review of the Group for 2015 and the future prospect.

Group Profile

The Group focused on the construction of a robust automotive aftermarket chain service network in the Greater China region as well as the research and development of innovative and environmentally friendly automotive lighting and automotive electronic power products, with an aim to provide the automobile consumers with products and services of high performance-price ratio. The Group is a leader in the automotive aftermarket chain service network sector in the Greater China region. Within the region, we have 138 retail service stores and 11 automotive accessories distribution exhibition centers, and ranked first in terms of both the scope and market share in the Greater China region.

The large-scale one-stop service chain stores under the Group provide comprehensive after-sales services to car owners, including car repair and maintenance, car wash and beauty, metal sheet painting, sales of auto accessories and automotive insurance. Our retail service chain stores are mainly situated in Beijing, Shanghai, Shenzhen, Jinan, Changchun, Wuhan, Tianjin and Taiwan.

Business Review

During 2015, the Group continued to implement the urban strategies and emphasized on increasing branding impacts by standardized services and enhanced service experience, so as to steadily increase the market shares in major regions. Leveraging the mature and broad gas station networks of Sinopec Chemical Products Sales Company (中國石化銷售有限公司) and PetroChina Company Limited (中國石油天然氣股份有限公司) in mainland China, the retail chain network of the Group was expanded in a fast pace and has established 65 new stores.

In addition, the Group aimed at gradually improving the operation model of our service business to raise our competitiveness by adopting several operating strategies such as implementation of entrepreneurship plans, integration of e-commerce business, uniformity of the signboard and image design of our stores in the retail service chain network, and enhancement of sales proportion of products with rigid demand.

During the review period, as our retail network expanded rapidly leading to an increase in the Group's financial cost, and the Group was negatively affected by unfavorable macro-economic environment and sudden changes in the capital market, our recorded loss in 2015 was higher as compared with 2014. However, the Group will adhere to the operating strategies which are proven to be sound and effective, and endeavor to overcome the adverse impact arising from unfavorable external environment so that the state of operation of the Group will be enhanced in a steady manner.

Outlook

It is expected that the China automotive aftermarket will continue to grow rapidly, providing huge room for industry development for the future development of the Group. The Group will keep adhering to our effective operating strategy and improving our operation model. Meanwhile, the Company will actively identify mergers and acquisitions and cooperation opportunities that would create synergy, with an aim to improve the Group's operating results.

Finally, I would like to take this opportunity to express, on behalf of the Board, deep appreciation to our loyal, responsible and diligent management and staff.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

In 2015, the Group focused on the automotive aftermarket chain service in the Greater China region to satisfy the comprehensive needs of numerous automotive users, taking the market-leading position in the industry.

Results Highlights

Revenue

For the year ended 31 December 2015 (the "**Year**"), the Group recorded a consolidated revenue of approximately RMB1,254,191,000 (2014: RMB1,397,498,000), representing a decrease of approximately 10.3%.

The consolidated revenue of the Group's retail service business amounted to approximately RMB481,910,000 (2014: RMB516,898,000), representing a decrease of approximately 6.8%. The decrease was mainly due to the irrational expansion in e-commerce resulting in challenges to the industry. Meanwhile, the revenue from public service cars dropped due to the impact of reform on public service cars.

The consolidated revenue of wholesale service business of the Group was approximately RMB356,062,000 (2014: RMB443,257,000), representing a decrease of approximately 19.7%. The Company disposed of its 51% equity interest in Hubei Autoboom Auto Accessories Supermarket Co., Ltd. (湖北歐特隆汽車用品超市有限公司) ("**Hubei Autoboom**") in the end of 2014, and the revenue of approximately RMB57,308,000 from Hubei Autoboom was consolidated into the Group's financial statements in 2014. Excluding such factor, the consolidated revenue of wholesale service business of the Group recorded a year-on-year decrease of approximately RMB29,887,000. This was mainly attributable to the impact of e-commerce and the vigorous competition in the industry.

The consolidated revenue of the manufacturing business of the Group was approximately RMB416,219,000 (2014: RMB437,343,000), representing a decrease of approximately 4.8%. The decrease was mainly attributable to the decrease in orders from overseas customers.

Gross profit and gross margin

The consolidated gross profit of the Group was approximately RMB255,121,000 in 2015 (2014: RMB297,119,000), representing a decrease of approximately 14.1%. Gross margin decreased from approximately 21.3% in 2014 to approximately 20.3% in 2015.

The gross profit of the Group's retail service business was approximately RMB99,253,000 (2014: RMB122,934,000), representing a decrease of approximately 19.3%, while its gross margin decreased from approximately 23.8% to approximately 20.6%. The decrease of gross profit was mainly attributable to the challenges from e-commerce to the automobile detailing and cleaning business.

The gross profit of the Group's wholesale service business was approximately RMB70,285,000 (2014: RMB98,318,000), representing a decrease of approximately 28.5%, while its gross margin decreased from approximately 22.2% to approximately 19.7%, among which the disposal of 51% equity interest in Hubei Autoboom in the end of 2014 led to a decrease of approximately RMB13,347,000 in gross profit as compared with the corresponding period. Excluding such factor, the gross profit decreased by approximately RMB14,686,000 as compared with the corresponding period. This was mainly attributable to the decrease in income arising from the impact of e-commerce business on the wholesale business of automobile products under the Group's wholesale service business.

The gross profit of the Group's manufacturing business was approximately RMB85,583,000 (2014: RMB75,867,000), representing an increase of approximately 12.8%, while its gross margin was approximately 20.6% (2014: 17.3%). The increase in gross profit was mainly attributable to an increase in the proportion of sales of products with high gross profit and the appreciation of United States dollar ("**USD**") in 2015.

Other revenue and gains and losses

Other revenue and gains and losses for the Year were approximately RMB55,124,000 (2014: RMB49,078,000), representing an increase of approximately RMB6,046,000. It was mainly attributable to the gain on fair value change in embedded derivative financial instruments in relation to the convertible bonds in the principal amount of US$25,000,000 which was issued to Haitong International Financial Products Limited ("**Haitong**") by the Company on 13 July 2015 ("**Haitong CBs**") and the increase in interest income during the Year.

Expenses

Sales and marketing expenses for the Year were approximately RMB198,621,000 (2014: RMB225,042,000), representing a decrease of approximately 11.7%, among which the disposal of 51% equity interest in Hubei Autoboom led to a decrease of approximately RMB8,056,000 in sales and marketing expenses. Excluding such factor, sales and marketing expenses decreased by approximately RMB18,365,000. It was mainly due to tightened expenses and the decrease in sales commission of manufacturing business.

The administrative expenses for the Year were approximately RMB143,331,000 (2014: RMB121,268,000), representing an increase of approximately 18.2%, among which the disposal of 51% equity interest in Hubei Autoboom led to a decrease of approximately of RMB5,256,000 in administrative expense. Excluding such factor, administrative expense increased by approximately RMB27,319,000, among which the intermediary expenses in relation to the proposed subscription for 50% equity interest in Shenzhen Jiahong Trading Development Co., Ltd (深圳市佳鴻貿易發展有限公司)("**Shenzhen Jiahong**") were approximately RMB11,800,000, while the amortization of share options expenses increased by approximately RMB7,000,000. The remaining increase of approximately RMB8,519,000 was mainly due to administrative expenses arising from the expansion of the Group's retail service business.

Operating loss

The operating loss of the Group was approximately RMB65,589,000 (2014: operating loss of RMB113,000). The operating loss increased by approximately RMB65,476,000, of which approximately RMB28,003,000 arose from the impairment loss on goodwill allocated to Changchun Guangda Automobile Trading Co., Ltd. ("**Changchun Guangda**"), a subsidiary of the Company due to its failure to meet anticipated business performance for the Year, while the remaining approximately RMB37,473,000 was attributable to the initial loss from newly established stores and the impact on the Group's retail service business and wholesale service business arising from the irrational expansion of e-commerce.

The Company originally acquired 51% of equity interest in Changchun Guangda (the "**2012 Acquisition**") in October 2012. For details of such acquisition, please refer to the announcement of the Company dated 17 July 2012, the circular of the Company dated 23 September 2012 and the poll results announcement of the Company dated 23 October 2012. In January 2014, the Company entered into a supplemental agreement with the vendor ("**Vendor**") in the 2012 Acquisition to amend certain terms of the equity transfer agreement, details of which are disclosed in the announcement of the Company dated 29 January 2014. Changchun Guangda is principally engaged in the provision of comprehensive auto after-sales services, including auto cleaning, detailing, routine maintenance, body repair, modification and sale of auto accessories.

Changchun Guangda was expected to achieve a net profit after taxation of RMB26,000,000 for the year ended 31 December 2015. The actual performance is a net loss of RMB959,000. The deteriorated business performance of Changchun Guangda was caused by: a) the decrease in revenue from public service cars arising from the impact of reform on public service cars initiated by the PRC government; b) the irrational expansion in e-commerce resulting in business challenges to Changchun Guangda; c) loss of business from the three stores which were refurbished during the period from May to June 2015; and d) shutdown of four stores of Changchun Guangda during the period from April to November 2015, leading to a loss of approximately RMB1,460,000.

The directors of the Company (the "**Directors**") made an estimation of the recoverable amount of Changchun Guangda (as a cash-generating unit) based on value-in-use calculations which was also used in the previous year of 2014. All the calculations of recoverable amounts use cash flow projections based on financial budgets approved by Company's management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates of 3%. The Directors have also assumed that the growth rate does not exceed the long-term average growth rate for the industry in which Changchun Guangda operates.

The key assumptions used for value-in-use calculations are as follows:

	31 December 2015 %	31 December 2014 %
Gross margin	**25-40**	36-45
Growth rate within the forecast period	**6-17**	5-17
Discount rate	**15**	15

The Directors determined the budgeted gross margin based on past performance and their expectation for market development. The weighted average growth rate used is consistent with the forecasts generally adopted in the respective industries. The discount rates used reflect specific risks relating to the relevant segment. The Directors are of the opinion that based on value-in-use calculations, goodwill associated with Changchun Guangda was impaired by RMB28,003,000 in order to state the carrying values to their recoverable amounts as at the end of the relevant reporting period. The Company has engaged an independent valuer i.e. RHL Appraisal Ltd. for the purpose of assessing the goodwill impairment.

Finance costs

Net finance costs amounted to approximately RMB37,713,000 (2014: RMB26,266,000), representing an increase of approximately 43.6%. It was mainly attributable to the issue of the Haitong CBs, leading to an increase of finance costs during the Year.

Taxation

Income tax expenses were approximately RMB645,000 (2014: RMB9,422,000). The decrease of income tax expenses was mainly attributable to the decrease of profit before tax of certain profitable subsidiaries of the Group.

Loss attributable to owners of the Company

Loss attributable to owners of the Company was approximately RMB90,967,000 (2014: share of loss of RMB43,223,000). Compared with 2014, the loss attributable to the owners of the Company increased by RMB47,744,000. After deducting an amount of approximately RMB28,003,000 of impairment loss on goodwill of the Company accounted for loss attributable to owners of the Company, the loss attributable to owners of the Company increased by RMB19,741,000. It was mainly attributable to the decrease in income from retail service business and wholesale service business as well as increase in administrative expenses and finance costs. Loss per share was approximately RMB2.41 cents (2014: loss per share of RMB1.27 cents).

Financial Position and Liquidity

For the year ended 31 December 2015, the Group continued to maintain a stable financial position and the liquidity of assets of the Group remained healthy. The Group had a net cash outflow from operating activities of approximately RMB6,160,000 (2014: inflow of RMB64,321,000).

The non-current assets were approximately RMB451,928,000 as at 31 December 2015 (31 December 2014: RMB469,881,000).

The net current assets were approximately RMB160,653,000 as at 31 December 2015 (31 December 2014: RMB234,232,000), with a current ratio of approximately 1.23 (31 December 2014: 1.48).

Gearing ratio calculated by dividing total liabilities by total assets was approximately 55.67% as at 31 December 2015 (31 December 2014: 54.54%). As at 31 December 2015, the total bank borrowings of the Group were approximately RMB224,245,000 (31 December 2014: RMB161,829,000).

The Group maintains strong and sufficient operating cash flow, bank deposits and banking facilities to finance its daily operation, capital expenditure, merger and acquisition activities and future investment opportunities for further expansion in the domestic market of the Greater China region.

Capital Structure

On 5 July 2015, the Company entered into a subscription agreement with Haitong pursuant to which the Company has conditionally agreed to issue, and Haitong has conditionally agreed to subscribe for the Haitong CBs in an aggregate principal amount of US$25,000,000 (equivalent to HK$194,500,000) due in 2017. Assuming full conversion of the Haitong CBs at the initial conversion price of HK$3.00 per share, the Haitong CBs will be converted into approximately 64,833,333 conversion shares. The net proceeds from the issue of the Haitong CBs, after deducting all related fees and expenses are approximately HK$192,500,000. The issue of Haitong CBs to Haitong was completed on 13 July 2015. Details of the transaction above are set out in the announcements of the Company dated 6 July 2015, 7 July 2015 and 13 July 2015.

Upon the receipt of a conversion notice on 25 December 2015 from CDH Fast Two Limited for conversion of all remaining convertible bonds in the principal amount of US$24,342,500 issued to it by the Company ("**CDH CBs**"), the Company allotted and issued a total of 813,507,947 conversion shares to CDH Fast Two Limited at the conversion price of HK$0.2328 per conversion share on 28 December 2015.

As at 31 December 2015, the Group's total assets were RMB1,319,032,000 (31 December 2014: RMB1,188,415,000), comprising: (1) share capital of RMB376,133,000 (31 December 2014: RMB307,931,000), (2) reserves of RMB208,580,000 (31 December 2014: RMB232,366,000), and (3) debts of RMB734,319,000 (31 December 2014: RMB648,118,000).

Financial Guarantees and Pledge of Assets

As at 31 December 2015, the net book values of investment properties, property, plant and equipment and leasehold land and land use rights pledged as security for the Group's bank borrowings amounted to approximately RMB128,528,000 (31 December 2014: RMB130,971,000).

Material Acquisitions, Proposed Placing and Increase in Authorized Share Capital

Acquisitions, Proposed Placing and Increase in Authorized Share Capital

On 27 March 2015, Perfect Progress Investments Limited (the "**Subscriber**"), a wholly-owned subsidiary of the Company, Shenzhen Jiahong, Mr. Zhou Jian Ming and Ms. Qiu Ping (collectively, the "**Existing Shareholders**") entered into a subscription agreement, pursuant to which Shenzhen Jiahong and the Existing Shareholders have agreed to conduct the capital increase, such that the registered capital of Shenzhen Jiahong will be increased from RMB300,000,000 to RMB600,000,000, and the Subscriber has conditionally agreed to subscribe for the additional registered capital of RMB300,000,000 at a consideration of RMB300,000,000 (the "**Subscription**").

In light of the Subscription, the Company intends to place not more than 1,500,000,000 new Shares (the "**Proposed Placing**") prior to the completion of the Subscription and the proceeds from the Proposed Placing will be primarily used to settle the consideration for the Subscription and the remaining balance will be used as financial assistance to Shenzhen Jiahong and its subsidiaries, the commission for the placing agent and/or any other expenses in relation to the Proposed Placing.

In order to accommodate the Proposed Placing and the future expansion and growth of the Company, the Company proposed to increase its authorized share capital from HK$600,000,000 to HK$1,000,000,000 by the creation of an additional 4,000,000,000 unissued Shares (the "**Increase in Authorized Share Capital**").

The resolutions regarding the Subscription, Proposed Placing and Increase in Authorized Share Capital were officially passed by the Shareholders by way of poll at the extraordinary general meeting held on 21 July 2015.

Details regarding the Subscription, Proposed Placing and Increase in Authorized Share Capital are set out in the announcements of the Company dated 29 December 2014, 26 March 2015, 30 March 2015, 17 April 2015, 22 April 2015, 22 May 2015, 8 June 2015 and 22 June 2015, as well as the circular dated 30 June 2015 and the announcement dated 21 July 2015.

As at the date of this report, the Subscription has not been completed and the Board of Directors has not decided whether to proceed with the Subscription.

Performance of Supplemental Agreement to Equity Transfer Agreement Regarding Acquisition of 51% Equity Interest in Changchun Guangda

Pursuant to the supplemental agreement to equity transfer agreement regarding acquisition of 51% equity interest in Changchun Guangda, as the audited net profit after taxation of Changchun Guangda for 2015 was less than RMB26,000,000, the Company was not required to pay the consideration of RMB4,780,000 and obtained the additional 10% equity interest in Changchun Guangda held by the Vendor as collateral at no consideration. In the result, the Company currently holds 61% equity interest in Changchun Guangda. Please refer to the announcement of the Company dated 29 January 2014 and relevant information contained in paragraph headed "Operating Loss" on pages 7 and 8 as well as page 39 of this annual report for more details.

Significant Investments

For the year ended 31 December 2015, the Group had no significant investments. The Group has no specific future plans for material investments.

Exchange Risk

The Group's retail and wholesale service businesses were mainly in mainland China and their settlement currency was RMB, so there was no exchange risk. The settlement currency of the Group's manufacturing business was mainly USD. The Group reduced the exposure of USD assets by USD borrowings to minimize exchange risk.

Contingent Liabilities

As at 31 December 2015, the Group had no significant contingent liabilities.

Employees and Remuneration Policy

As at 31 December 2015, the Group employed a total of 3,815 (31 December 2014: 4,135) full-time employees, of which 543 (31 December 2014: 573) were managerial staff. The remuneration package for the Group's employees includes wages, incentives (such as performance-based bonus) and allowances. The Group also provides social security insurance and benefits to its employees.

Industry Development and Business Review

In 2015, the scale of the China automotive after-sales services market to which the Group has long been devoted reached RMB700 billion. It is expected that the market will maintain growth at a high pace, which provides the Group with a huge room for industry development on an on-going basis. In order to improve the network of the Group's retailing business and highlight the value of the chain network, the chain store network of the Group expanded remarkably in 2015.

In 2015, the Group recorded an increase in losses as compared with 2014. The factors contributed to such increase in losses include the impact on the Group's business by unfavorable macro-economic environment and the temporarily irrational expansion of the e-commerce operators, inevitable initial losses incurred by the newly-established stores incurred, increase of financial costs arising from the capitals raised to expand chain network and the failure to optimize relevant fees due to delay in completion of the financing plans resulting from sudden changes in the capital market during 2015. However, the management has full confidence in the future development of the Group. The management believes that the operating position of the Group will be enhanced in a steady manner as long as we adhere to the operating strategies proven to be sound and effective and endeavor to overcome the adverse impact arising from unfavorable external environment.

As at 31 December 2015, the Group had a total of 138 retail service stores, 11 wholesale service stores and 2 manufacturing business factories.

The Group's Service Business

Based on the industry knowledge that terminal service is irreplaceable, in 2015, the operational management team of the Group tracked the changes in the industry and continued to integrate and allocate internal resources for exploring the mode of operation which fits the demand in the industry and the existing condition of the Group. The operating strategies implemented during the year of 2015 mainly include the following aspects:

(i) We implemented urban strategies, which led to an in-depth development of the markets that were already well-developed with stable profits. We emphasized on increasing branding impacts by standardized services and enhanced service experience, and steadily increased the market shares in regions under our current market coverage. The Group continued to set up new stores by a combined portfolio of large comprehensive stores or maintenance and sheet metal painting centers supported by small community stores. Leveraging the advantages of low set-up cost, easy location identification and good accessibility of the small community stores, the Group could explore potential customers and enhance the loyalty of its customers through convenient automotive after-sales services such as car washing, beauty, maintenance and quick repair. The large comprehensive stores or maintenance and sheet metal painting centers provide customers transferred by the small community stores with services requiring higher level of techniques such as complex repair and sheet metal painting. Such store expansion model enabled the Group to better satisfy the needs of the automotive users on the basis of control of store set-up cost and time-saving for store establishment so as to increase the operating gains of the Group's retail service chain network. In 2015, counting in the automotive service stores jointly established by the Group, Sinopec Chemical Products Sales Company (中國石化銷售有限公司) ("**Sinopec**") and PetroChina Company Limited (中國石油天然氣股份有限公司) ("**PetroChina**") respectively, the Group's total number of stores in mainland China and Taiwan increased by 65, which improved the chain network of the Group.

(ii) Based on the strategic cooperation agreement between the Group and relevant subsidiaries of Sinopec, we attempted to extend our reach and penetrate into the markets in Central China. As at 31 December 2015, we have established 59 automotive service stores in total at the gas stations within the Sinopec Tianjin and Hubei network and the gas stations within the Petro Gansu network. The Group plans to build 200 automotive service stores at the gas stations of Sinopec in Hubei Province in the next two years. Our management anticipates that the plan can greatly increase the market share of our service business in Central China.

(iii) Pilot entrepreneurship plans were carried out in Shanghai and Shenzhen. In order to satisfy the needs of fast expansion of stores and support outstanding and capable staff with entrepreneurial mindset to start their business, the Group gradually promoted entrepreneurship plans in the area of retail service in 2015. The Group and staff jointly contributed to the establishment of partnership stores in which the Group provided support to its entrepreneurial staff and the partnership stores in respect of capital, technology, procurement, marketing, sales and IT system, such that the Group's retail service chain network could be rapidly expanded based on the mutually beneficial business plans and a complete standardization system. The entrepreneurship plans largely motivated the subjective initiative of the management staff of the partnership stores, providing incentive for them to fully dedicate their own ability and wisdom to maximize the operating gains of the partnership stores. Furthermore, the Group not only benefited from the distribution of operating profit directly obtained from partnership stores, but also from centralized procurement and brand promotion.

(iv) The Group gradually improved and integrated its e-commerce business, including the introduction of mobile internet sales in order to create an "ecosystem of vehicle owners" providing vehicle owners with more comprehensive and convenient automotive after-sales services, and meanwhile improved the marketing network of the Group. To cope with the weakened consumption sentiment among the vehicle owners due to economic downturn, the Group strengthened the expansion and promotion of business with rigid demand and gradually raised the proportion of sales of products and services with rigid demand.

(v) In hope of raising the awareness of the vehicle owners towards automotive after-sales chain stores through a standardized store image with high quality and enhancing the brand recognition of the Group, the Group materially promoted the uniformity of the signboard and image design of stores within the retail service chain network.

(vi) The subsidiaries of the Group engaging in the wholesale business have also continuously increased their product types related to vehicle repair and maintenance with rigid demand, and enhanced the added-value of products and services by improving logistics service and network coverage, which increased the loyalty of downstream retail customers and the on-going demand for orders. Besides, an unified e-commerce platform of auto accessories has been established at initial stage within the wholesale business of the Group.

The Group's Manufacturing Business

During the Year, our target markets, customers and products underwent a comprehensive adjustment within the manufacturing business, leading to a further understanding of the customers' demand for products and the development trend of similar products in the international market. In order to continue with our efforts in terms of products design and research and development, we have established Shenzhen R&D center in which systematic and standardized arrangement on existing products were conducted so as to raise the competitiveness of the products. Meanwhile, the Group's manufacturing business focused on strengthening the development of the domestic market by developing products that are suitable for sales in the domestic market and e-commerce network. Moreover, measures including supplier optimization, production line integration, logistics improvement and internal control enhancement were adopted so as to lower the operating costs and administrative expenses.

During the Year, the above measures were proven to be effective and remarkable. Under the backdrop of downturn of the entire industry, the operating profit in the manufacturing business experienced a significant growth as compared with 2014.

Prospects

In 2016, increasing the number of automotive service stores and improving our operation model will remain to be the main focus of the Group, thus we will continue to adopt the following operational strategies:

(i) The Group will continue to carry out the urban strategies, further increase the number of terminal stores in central cities, adhere to the expansion model of setting up new stores by a combined portfolio of large comprehensive stores or maintenance and sheet metal painting centers supported by small community stores, and speed up the progress of setting up new stores in order to dominate the community portal channel of the automotive after-sales services. The Group will fully facilitate the joint entrepreneurship plans to attract outstanding key staff and aspiring teams to participate.

(ii) The Group will expand the scope of cooperation with Sinopec. Leveraging the demonstrative effects of retail service stores established at the gas stations within the Sinopec Hubei network, the Group will promote the cooperation model of the Group and Sinopec in the markets of other regions in order to strive for a breakthrough in mega cities, and expand the scope of cooperation to the nationwide gas station network of Sinopec eventually. The Group will also further implement the cooperation agreement with Petro Gansu by duplicating its partnership store set-up model with Sinopec in order to further expand and improve the retail service chain network of the Group.

(iii) The Group will select bulk commodities such as the repair and maintenance products, directly cooperate with manufacturers and carry out purchase by way of original equipment manufacturer (OEM) with our own brands so as to reduce costs and improve the influence of the Group's products.

(iv) To meet the rapid development needs of the terminal stores and enhance management efficiency, the Group will comprehensively upgrade its ERP management system and go for a mobile extension.

(v) The Group will actively adjust the product structure of wholesale business, focus on automotive repair and maintenance products with rigid demand and improve logistics efficiency and service quality, enhance the proportion of e-commerce sales, and continue to improve its unified e-commerce platform, enabling the Group to become an indispensable comprehensive supplier that provides integrated repair and maintenance products for automotive after-sales service stores in target markets.

(vi) The Group will continue to actively search for and negotiate with potential targets the acquisition of which will help achieve the strategic objectives of the Group, consider acquisition in due course and explore opportunities to introduce new business scopes in the automotive after-sales services market, such as professional automotive repair, automotive insurance and automotive finance, so as to provide vehicle owners with more comprehensive automotive after-sales services and to improve the Group's competitive advantages.

The Group's manufacturing business will continue to put efforts into its marketing strategies based on product orientation and driven by innovation; enhance research and development investment, such as the investment in power management of new energy vehicle; raise the core competitiveness and advancement of the products, and effectively expand its domestic market share. Meanwhile, the Group will conduct market expansion on its self-owned brands in the Asia-Pacific market, especially the PRC market, and boost the continuing innovation of its business model and products.

Profiles of the Directors and senior management as at the date of this annual report are set out below.

Executive Directors

Mr. Zhang Jianxing (Chairman)

Mr. Zhang, aged 49, is an executive Director, the chief executive officer and the Chairman of the Company, and is currently responsible for the operation and management of the Group. Mr. Zhang has been the executive Director and the chief executive officer since August 2013, and has been the Chairman since March 2016.

Mr. Zhang graduated from Tongji University (同濟大學) and received a Bachelor of Science degree in civil engineering. He has been employed by CDH Investments Management (Hong Kong) Limited ("**CDH**") since 2011, and his current position is managing director. Prior to joining CDH, from 2009 to 2011, Mr. Zhang served as an managing operations director at China Resources Asset Management Limited (華潤資產管理有限公司). Mr. Zhang served as an independent non-executive director at Tesson Holdings Limited (天臣控股有限公司) (Stock Code: 1201) from 24 March 2015 to 21 September 2015.

Mr. Du Jinglei

Mr. Du, aged 38, is an executive Director. He graduated with a bachelor's degree in mechanical engineering and a master's degree in measurement technology and instrumentation from Tsinghua University (清華大學) in July 2000 and July 2002, respectively. He has been employed by Ding Hui Investment Management (Tianjin) Company Limited (鼎暉股權投資管理(天津)有限公司) since August 2006, and his current position is senior executive director who is in charge of deal sourcing and executions. Prior to joining CDH, from August 2002 to August 2006, Mr. Du worked as an assistant manager in KPMG China and was responsible for certain IPO audit and other audit assurance engagements. Mr. Du is also a director, deputy general manager and company secretary of Ningbo Yajin Electronic Science and Technology Corporation Limited (寧波亞錦電子科技股份有限公司) (a company listed on the National Equities Exchange and Quotations System of the People's Republic of China, stock code: 830806). Mr. Du joined the Group in August 2013.

Non-executive Directors

Mr. Ying Wei

Mr. Ying, aged 49, is a non-executive Director. He holds a master's degree in business administration from the University of San Francisco and a bachelor's degree in economics from the Zhejiang Gongshang University (浙江工商大學) (formerly known as Hangzhou Institute of Commerce (杭州商學院) and is a non-practicing member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). Mr. Ying had worked for China Resources Textiles (Holdings) Company Limited (華潤紡織（集團）有限公司) as executive director and vice president for 18 years during the period from 1989 to 2007. Mr. Ying had also worked for China Water Affairs Group Limited (中國水務集團有限公司) (Stock Code: 855) as vice president during the period from 2007 to 2009, worked for China Botanic Development Holdings Limited (中國植物開發控股有限公司) (now re-named as China City Infrastructure Group Limited) (Stock Code: 2349) as an executive director and president during the period from July 2008 to July 2009, and worked for China Public Procurement Limited (中國公共採購有限公司) (Stock Code: 1094) as an independent non-executive director during the period from December 2012 to March 2014. Currently, Mr. Ying is the operating partner of CDH Investments, an independent non-executive director of CHTC Fong's Industries Company Limited (恒天立信工業有限公司) (Stock Code: 641) and Fountain Set (Holdings) Limited (Stock Code: 420). Mr. Ying joined the Group since August 2013.

Mr. Wang Zhenyu

Mr. Wang, aged 52, is a non-executive Director. He graduated from Hefei University of Technology (合肥工業大學) with a bachelor's degree in machinery engineering in 1985 and a master's degree in industrial management engineering in 1988. Mr. Wang has been employed by CDH since 2008, and his current position is managing director. From 2002, he served as a vice President and managing Director in several affiliates of CDH. Prior to joining CDH, from 2000 to 2002, he served as an associate in the investment consultancy department of China International Capital Corporation Limited (中國國際金融有限公司). He served as a non-executive director of Xiezhong International Holdings Limited (協眾國際控股有限公司) (Stock Code: 3663) from June 2012 to July 2014. Mr. Wang joined the Group in August 2013.

Independent Non-executive Directors

Mr. Hu Yuming

Mr. Hu, aged 50, is an independent non-executive Director. He received a Bachelor's degree in Economics, a master's degree in Economics and doctor's degree in economics from Xiamen University (廈門大學) in 1986, 1989 and 1995, respectively and is a non-practicing member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). He has been a professor at the School of Management of Jinan University (暨南大學管理學院) from 2000 to present and held various teaching positions in Xiamen University (廈門大學) from 1989 to 2000. He had worked for China Resources Jinhua Co., Ltd. (華潤錦華股份有限公司) (The Shenzhen Stock Exchange ("**SZSE**") Stock Code: 000810) as an independent director during the period from 2004 to 2010. Mr. Hu had also worked for Guangzhou Zhujiang Brewery Co., Ltd. (廣州珠江啤酒股份有限公司) (SZSE Stock Code: 002461) and Guangdong HongDa Blasting Co., Ltd. (廣東宏大爆破股份有限公司) (SZSE Stock Code: 002683) as an independent director during the period from 2009 to 2012 and from 2010 to 2013, respectively. He also worked for Guangzhou Canudilo Fashion and Accessories Co., Ltd. (廣州卡奴迪路服飾股份有限公司) (SZSE Stock Code: 002656) as an independent director during the period from December 2008 to January 2015, Currently, Mr. Hu is an independent director of By-health Co., Ltd. (湯臣倍健股份有限公司) (SZSE Stock Code: 300146). Mr. Hu joined the Group in August 2013.

Mr. Lin Lei

Mr. Lin, aged 48 is an independent non-executive Director. He received a bachelor's degree in Applied Economic Mathematics from the Renmin University of China (中國人民大學) in 1990. He is the founder and Chairman of the Board of Sinotrust International Information & Consulting (Beijing) Co., Ltd. (新華信國際信息諮詢（北京）有限公司) ("**Sinotrust**"). Prior to founding Sinotrust in 1992, from 1990 to 1992, Mr. Lin worked at the Ministry of Foreign Economic Relation and Trade (對外經濟貿易部). Currently, Mr. Lin is an independent non-executive Director of Synutra International Inc (聖元國際集團)(NASDAQ:SYUT), Xiezhong International Holdings Limited (Stock Code: 3663) and CAR Inc. (Stock Code: 699). Mr. Lin is currently a member of the European Society for Opinion and Marketing Research (ESOMAR) (歐洲民意與市場研究協會) and the American Marketing Association (AMA) (美國市場營銷學會). Mr. Lin is also vice president of China Association of Market Information and Research (CAMIR) (中國市場信息調查業協會), a council member of Society of Automotive Engineers of China (SAE) (中國汽車工程學會), commissioner of the expert committee of China Automobile Dealers Association (CADA) (中國汽車流通協會). Mr. Lin joined the Group in August 2013.

Mr. Zhang Xiaoya

Mr. Zhang, aged 53, is an independent non-executive Director. He is a graduate of the Shangdong University (山東大學) and the school of management at the Beijing University of Aeronautics and Astronautics (北京航空航天大學) and is a senior engineer. Mr. Zhang is the chairman of Beijing Xindajiading Investment Company (北京信達嘉鼎投資公司), an independent non-executive director of China Mengniu Diary Company Limited (中國蒙牛乳業有限公司) (Stock Code: 02319), an independent director of Syswin Inc. (思源經紀), which was listed on the New York Stock Exchange until April 2013, and an independent director of Guangzhou Zhujiang Digital Group (廣州珠江數碼集團). Mr. Zhang has previously served as a director and president of AirMedia Group Inc. (航美傳媒集團) (NASDAQ: AMCN) and the chairman of Unibank Media (銀廣通傳媒集團), and is experienced in the management of media operations and initial public offering. Mr. Zhang joined the Group in March 2015.

Senior Management

Mr. Lin Ming

Mr. Lin, aged 36, is the chief financial officer of the Company. He is currently responsible for financial budget and capital management of the Group.

Mr. Lin graduated from Nankai University (南開大學) in 2002. He holds a bachelor's degree in accountancy and is a non-practicing member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會). From 2002 to 2007, he served as audit manager in KPMG Huazhen (畢馬威華振會計師事務所) and was responsible for certain IPO audit and other audit assurance engagements. From 2007 to 2013, he served as chief financial officer and senior vice president of Towona Mobile TV Media Group (China) Limited (世通華納移動電視傳媒集團（中國）有限公司). Mr. Lin joined the Group in August 2013.

Ms. Hung Ying-Lien

Ms. Hung, aged 50, vice president and chief operating officer of the Company, is responsible for the operations of the Group.

She graduated from Taiwan Fu Jen Catholic University (台灣輔仁大學) with a bachelor's degree in accountancy in 1988. She has extensive experience in the wholesale and retail service sector and in the finance field. Prior to joining the Group, Ms. Hung had worked in various positions in a hypermarket chain stores in Taiwan from 1991 to 2001, responsible for wholesale operations, human resource management, product management, inventory logistics and financial management. Ms. Hung joined the Group in July 2001.

Mr. Zuo Yungui

Mr. Zuo, aged 43, vice president of the Company, is responsible for the operations and management of the Group's manufacturing industry, the information technology department, merger and acquisition department of the Group as well as the operations and management of Shenzhen Yonglonghang Auto Service Ltd (深圳市永隆行汽車服務有限公司), a subsidiary of the Group.

Mr. Zuo obtained his bachelor's degree in weaving and product design from Chengdu Textile College (成都紡織高等專科學校) in 1996, with engineers titles. He worked for China Resources Jinhua Co., Ltd. (華潤錦華股份有限公司), China Resources Textiles (Holdings) Company Limited (華潤紡織(集團)有限公司) and Meihua Holdings Group Co., Ltd.(梅花生物科技集團股份有限公司). He has extensive management experience in the manufacturing sector, as well as seven consecutive years of group strategic management experience. Mr. Zuo joined the Group in August 2013.

Mr. Xing Aiyi

Mr. Xing, aged 54, is a vice president of the Company and a director and general manager of Beijing Aiyihang Auto Service Ltd. (北京愛義行汽車服務有限責任公司) ("**Beijing Aiyihang**"), a subsidiary of the Group, and is responsible for the retail service business of the northern region and the operating and management of Beijing Aiyihang. Mr. Xing received a master's degree in Business Administration from Party School of Beijing Municipal Committee (北京市委黨校) in 2009. He established Aiyihang Auto Service Centre in 1992, founded Beijing Aiyihang and started the automotive chain operation in 1997. Mr. Xing joined the Group in February 2007.

Mr. Li Haidong

Mr. Li, aged 46, is the executive general manager of Liaoning Xin Tian Cheng Industrial Co., Limited ("**Liaoning Xin Tian Cheng**"), a subsidiary of the Group, and is responsible for the operations and management of Liaoning Xin Tian Cheng. He founded Liaoning Xin Tian Cheng in 1994. Mr. Li joined the Group in June 2010.

Ms. Liu Fengxi

Ms. Liu, aged 49, is a director and general manager of Shanghai Astrace Trade Development Company Limited ("**Shanghai Astrace**"), a subsidiary of the Group, and is responsible for the operating and management of Shanghai Astrace. Ms. Liu graduated from Wuhan University (武漢大學) in 1988 and worked in universities, State-owned enterprises, foreign enterprises and listed companies. Ms. Liu was involved in the aftermarket of automotive in the PRC in 2000 and engaged in the agency business of various international car audio brands. She has produced excellent results in PRC car audio market with deep and systematic innovation at the beginning of the business and has been active in promoting the development and growth of the industry. She founded Shanghai Astrace at the end of 2003 and successfully operated several brands of heat insulating film such as Sunsaint films (天幕), Apex (歐帕斯) and Master Tint Art (大師貼膜). Ms. Liu joined the Group in June 2011.

Mr. Wu Yande

Mr. Wu, aged 46, is a director and executive general manager of Changchun Guangda Automobile Trading Co., Ltd. ("**Changchun Guangda**"), a subsidiary of the Group, and is responsible for the operating and management of Changchun Guangda. He founded Changchun Guangda in 1996. Mr. Wu joined the Group in July 2012.

The board of Directors (the "**Board**" or the "**Directors**") hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2015.

Corporate Governance Practices

The Board believes good corporate governance practice is the key to business growth and management of the Group.

The Company has applied the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the year ended 31 December 2015.

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2015, save and except for the deviation from code provisions A.5.1 and A.6.7.

Key corporate governance principles and practices of the Company as well as details relating to the foregoing deviation are summarized as below.

Securities Transactions of Directors

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealings in securities of the Company by the directors or relevant employees as defined in the Model Code. Having made specific enquiry to all directors by the Company, all directors confirmed that they had complied with the requirements set out in the Model Code during the financial year ended 31 December 2015.

Board of Directors

Responsibilities and Delegation

The Board is responsible for the overall management and control of the Company. Its main roles are to provide leadership and to approve strategic policies and plans with a view to enhancing shareholder value. All Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively, and acting in the interests of the Company and its shareholders at all times.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary and senior management. Any director may request independent professional advice in appropriate circumstances at the Company's expense, upon making reasonable request to the Board. The Board has implemented appropriate measures and internal control procedures to ensure that the Company runs its business pursuant to all applicable legal and regulatory requirements with prudence and integrity.

The senior management are obliged to supply the Board with adequate information in a timely manner to enable the Board to make informed decisions in a timely manner. Each of the Directors is entitled to obtain such records of the Company as are necessary to enable them to make informed decisions. Biographical details of the Directors and their relationships are set out under the section headed "Profiles of the Directors and Senior Management" in this annual report.

Issues reserved for discussion and approval by the Board include the following: (i) corporate strategies; (ii) annual budget and annual business plan; (iii) annual and interim results; (iv) internal control and risk management; (v) major acquisitions, disposals and capital transactions; (vi) other significant operational and financial matters.

Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim financial statements for Board approval before publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate internal control and risk management system, and compliance with relevant statutory requirements and rules and regulations. Each executive Director should assume individual responsibilities to oversee and monitor the operations of a specific business unit, and to implement the strategies and policies set by the Board. The independent non-executive Directors will provide independent advice to the Board and share their knowledge and experience with the other members of the Board.

Board Composition

The Board currently comprises two executive Directors and five non-executive Directors with three of them being independent non-executive Directors:

Executive Director
Mr. Zhang Jianxing
(Chairman/Chief Executive Officer, appointed as Chairman with effect from 31 March 2016)
Mr. Du Jinglei
(re-designated from non-executive director to executive director with effect from 31 March 2016)

Non-executive Directors
Mr. Ying Wei *(resigned as Chairman with effect from 31 March 2016)*
Mr. Wang Zhenyu

Independent Non-executive Directors
Mr. Hu Yuming
Mr. Lin Lei
Mr. Zhang Xiaoya

The Company has received from each independent non-executive Director an annual confirmation or confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such Directors to be independent.

All Directors have brought a wide range of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Moreover, through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors make various contributions to the effective direction of the Company.

Appointment and Re-Election of Directors

All Directors are appointed for a fixed term of three years. The articles of association of the Company ("**Articles**") require that one-third of the Directors (including executive and non-executive Directors) retire each year. The Directors to retire each year shall be those appointed by the Board during that year and those who have been longest in office since their election or re-election. A retiring Director is eligible for re-election.

Apart from the service agreement or letter of appointment (as the case may be) entered into by each non-executive Director with a fixed term, none of them has signed any form of service contract with the Company or any of its subsidiaries.

Continuous Professional Development of Directors

Under code provision A.6.5, directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

All directors are encouraged to attend relevant training courses at the Company's expense. During the year ended 31 December 2015, the Company organized briefings conducted by the Company Secretary for all its Directors, namely, Mr. Zhang Jianxing, Mr. Ying Wei, Mr. Wang Zhenyu, Mr. Du Jinglei, Mr. Hu Yuming, Mr. Lin Lei and Mr. Zhang Xiaoya, on corporate governance and provided reading materials on regulatory update to all the directors for their reference and studying. Directors are requested to provide their training records to the Company Secretary for record-keeping.

Board Committees & Corporate Governance Functions

On 28 August 2013, the Board has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee for overseeing particular aspects of the Company's affairs. The Audit Committee, the Remuneration Committee and the Nomination Committee have been established with defined written terms of reference, which are posted on the Company's website "www.nfa360.com" and the Stock Exchange's website and are available to shareholders upon request. All Board committees report to the Board on their decisions or recommendations.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee comprises a total of three members, being two independent non-executive Directors, namely, Mr. Hu Yuming (Chairman) and Mr. Lin Lei, and one non-executive Director, namely, Mr. Ying Wei (appointed to replace Mr. Du Jinglei with effect from 31 March 2016). The chairman of the Audit Committee is Mr. Hu Yuming who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The terms of reference of the Audit Committee have been determined with reference to the CG Code. The main duties of the Audit Committee are to (i) review the financial statements and reports and consider any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; (ii) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process; (iii) make recommendation to the Board on the appointment, re-appointment and removal of external auditors; and (iv) review the adequacy and effectiveness of the Company's financial reporting system, internal control system, risk management system, internal audit function and associated procedures and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

On 10 December 2015, the Board adopted the updated terms of reference of the audit committee so that the audit committee shall also oversee the risk management system of the Group starting from 1 January 2016.

During the year ended 31 December 2015, the audit committee, through its meetings held on 19 March 2015 and 21 August 2015 respectively, has performed, among others, the following:

- review and discussion of the annual financial results and report in respect of the year ended 31 December 2014 and interim financial results and report for the six months ended 30 June 2015 and discussion with the management of the accounting principles and practices adopted by the Group;

- discussion on and recommendation of the re-appointment of the external auditors; and

- review of the internal control, financial reporting and risk management systems and effectiveness of internal audit function of the Group.

The external auditors were invited to attend the meetings of the Audit Committee held during the year to discuss with the Audit Committee members issues arising from the audit and financial reporting matters.

Remuneration Committee

The Remuneration Committee comprises a total of three members, being two independent non-executive directors, namely, Mr. Hu Yuming (Chairman) and Mr. Zhang Xiaoya (appointed to replace Mr. Zhang Jie with effect from 20 March 2015); and one non-executive director, namely, Mr. Ying Wei.

The terms of reference of the Remuneration Committee have been determined with reference to the CG Code. Under the terms of reference of the Remuneration Committee, the responsibilities of the Remuneration Committee include, among others, (i) to make recommendations to the Board on the Company's policy and structure for directors and senior management's remuneration and the establishment of a formal and transparent procedure for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration; and (ii) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and the Company's senior management.

During the year ended 31 December 2015, the Remuneration Committee, through its meetings held on 19 March 2015, reviewed and discussed the remuneration policy of the Group, the remuneration packages of the Directors and senior management of the Company, and assessed performance of executive director of the Company.

Details of the remuneration of each Director and the remuneration of the five highest paid individuals for the year ended 31 December 2015 are set out in note 10 to the financial statements in this annual report.

Remuneration paid to senior management staff of the Company in 2015 by band is as follows:

	Number of staff
Nil to HK$1,000,000	–
HK$1,000,000 to HK$1,500,000	3
HK$1,500,001 to HK$2,000,000	–
HK$2,000,001 to HK$2,500,000	1
HK$2,500,001 to HK$3,000,000	1

Nomination Committee

The Nomination Committee comprises a total of three members, being two independent non-executive Directors, namely, Mr. Zhang Xiaoya and Mr. Lin Lei and one executive Director, namely, Mr. Zhang Jianxing (Chairman, appointed to replace Mr. Ying Wei with effect from 31 March 2016).

The terms of reference of the Nomination Committee have been determined with reference to the CG Code. Under the terms of reference of the Nomination Committee, the principal duties of the Nomination Committee are mainly to (i) review the structure, size and composition of the Board annually; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive Directors; and (iv) make recommendations to the Board on the appointment or re-appointment of directors of the Company.

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board in August 2013. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional background, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

During the year ended 31 December 2015, the Nomination Committee, through its meeting held on 19 March 2015, performed the following:

- reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company; and

- recommendation of the re-appointment of those directors standing for re-election at the 2015 annual general meeting of the Company.

Code provision A.5.1 stipulates that the Nomination Committee should be chaired by the chairman of the board or an independent non-executive director. As disclosed in the announcement of the Company dated 29 August 2014, Mr. Wang Zhenyu resigned as chairman of the Company but remained as a non-executive director of the Company and the chairman of the Nomination Committee with effect from 30 August 2014. Considering that there was no other suitable candidate to replace Mr. Wang Zhenyu as the chairman of the Nomination Committee at that time and Mr. Wang Zhenyu had accumulated appropriate experience to serve as the chairman of the Nomination Committee, the Board was of the view that such code provision deviation would not affect the performance of the Nomination Committee. To re-comply with code provision A.5.1, the Company appointed Mr. Ying Wei (chairman of the Board) as the chairman of the Nomination Committee to replace Mr. Wang Zhenyu with effect from 20 March 2015. For details, please refer to the announcement of the Company dated 19 March 2015.

Mr. Zhang Jianxing, an executive Director and the chief executive officer of the Company, has been appointed as the Chairman of the Board and chairman of the Nomination Committee to replace Mr. Ying Wei with effect from 31 March 2016. For details, please refer to the announcement of the Company dated 30 March 2016.

Strategy Committee

The strategy committee of the Company (the "**Strategy Committee**") consists of three members, namely Mr. Zhang Xiaoya (appointed to replace Mr. Zhang Jie with effect from 20 March 2015), Mr. Wang Zhenyu, and Mr. Lin Lei (Chairman, previously a member and re-designated as Chairman of Strategy Committee with effect from 20 March 2015). The duties of the Strategy Committee include formulating and revising the Group's future development strategies, carrying out procedures and enhancing the efficiency and quality of important decision-making procedures. The Strategy Committee shall convene meetings to discuss important investment and financing matters.

During the year, the Group has not been involved in any corporate action that requires the involvement of the Strategy Committee.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

Up to the date of this annual report, the Board met once to review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on the compliance of the Model Code, the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Record of Directors and Committee Members

During the year ended 31 December 2015, the Board held 6 Board meetings. The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2015 is set out in the table below:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Mr. Ying Wei	6/6	–	1/1	–	2/2
Mr. Hung Wei-Pi, John *(Note 1)*	2/6	–	–	–	0/0
Mr. Wang Zhenyu	6/6	–	–	1/1	1/2
Mr. Zhang Jianxing	6/6	–	–	–	2/2
Mr. Du Jinglei	6/6	2/2	–	–	1/2
Mr. Hu Yuming	6/6	2/2	1/1	–	2/2
Mr. Lin Lei	6/6	2/2	–	1/1	1/2
Mr. Zhang Jie *(Note 2)*	1/6	–	1/1	1/1	0/0
Mr. Zhang Xiaoya *(Note 2)*	5/6	–	–	–	1/2

Note:

1. Mr. Hung Wei-Pi resigned as a non-executive Director of the Company with effect from 20 May 2015.

2. Mr. Zhang Jie resigned as an independent non-executive Director of the Company and Mr. Zhang Xiaoya was appointed as an independent non-executive Director of the Company with effect from 20 March 2015.

Directors' and Auditors' Responsibilities for the Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2015. The Directors' responsibilities for the accounts and the responsibilities of the external auditors to the shareholders are set out on pages 42 and 43.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Internal Controls and Risk Management

The Board has overall responsibility for maintaining an adequate system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal control system to safeguard the interest of Shareholders and the Group's assets. During the year, an internal audit function has already been set up within the Group to review its system of internal controls annually.

The Board has held a meeting to conduct reviews on the effectiveness of the Group's internal control system during the year ended 31 December 2015, which covers all material controls, including financial, operational and compliance controls as well as risk management functions and an annual review on the adequacy of staffing of the accounting and financial reporting function.

The Board considers the Group's internal control and risk management systems are effective and adequate.

External Auditors and Auditors' Remuneration

During the year under review, the fees paid/payable to KPMG (the "**Auditor**") in respect of their audit services for the year 2015 amounted to approximately RMB6,500,000, including RMB2,000,000 for the annual audit services and RMB4,500,000 for the audit services in relation to the proposed subscription for 50% equity interest in Shenzhen Jiahong.

During the year under review, the performance of the Auditor has been reviewed by the Audit Committee and the Audit Committee recommended to the Board (which endorsed the view) that subject to shareholders' approval at the forthcoming annual general meeting, the Auditor be re-appointed as the external auditor of the Company for 2016.

Company Secretary

The Company does not engage an external service provider as its company secretary. Mr. Liu Xiaohua, being the secretary of the Company, has taken no less than 15 hours of relevant professional training during the year ended 31 December 2015.

Communications with Shareholders and Investors Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

To promote effective communication, the Company maintains a website at "www.nfa360.com", where extensive information and updates on the Group's business developments and operations, financial information, corporate governance practices and other information are available for public access. For enquiries, shareholders and investors may write directly to the Company's head office at Unit A, 9th Floor, Building 1, 100 Zixiu Road, Minhang District, Shanghai, the People's Republic of China and all enquiries will be dealt with in an informative and timely manner.

The Board welcomes views of shareholders and encourages them to attend general meetings to raise any concerns they might have with the Board or the management directly. Board members of the Group are available at the general meetings to answer any questions raised by shareholders.

Code provision A.6.7 stipulates that non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, only Mr. Ying Wei, being a non-executive Director, the then chairman of the Company and chairman of the Nomination Committee, Mr. Hu Yuming, being an independent non-executive Director and the chairman of Audit Committee and Remuneration Committee, and Mr. Zhang Jianxing, being an executive Director and the CEO of the Company attended the extraordinary general meeting of the Company held on 21 July 2015. Other four non-executive directors failed to attend such general meeting due to their other business engagement. The Company is of the view that the directors participated in the relevant general meeting were able to answer questions from the shareholders at the general meeting and to develop a balanced understanding of the shareholders' view.

The Company continues to enhance communication and relationship with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them informed of the Group's developments.

Shareholders' Rights

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Articles, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board of the Company. Contact details are as follows:

Address: Unit A, 9th Floor, Building 1, 100 Zixiu Road, Minhang District, Shanghai, the People's Republic of China (For the attention of the Company Secretary)
Fax: 86-21-6405-6816
Email: gavin_liu@nfa360.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

During the year under review, the Company has not made any changes to its Articles. An up-to-date version of the Articles is available on the Company's website and the Stock Exchange's website. Shareholders may refer to the Articles for further details of their rights.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.nfa360.com) immediately after the relevant general meetings.

REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report for the year ended 31 December 2015 and the audited consolidated financial statements (the "**Financial Statements**") of the Group for the Year.

Group Reorganisation, Subsidiaries and Basis of Presentation

The Company was incorporated in the Cayman Islands on 15 May 2002 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the group reorganisation as detailed in section 4 headed "Corporate Reorganisation" in Appendix VI to the prospectus dated 17 February 2005 of the Company, in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of other companies comprising the Group on 13 February 2005.

Principal Activities

The Group focused on the construction of automotive chain service network in the Greater China region (the Group's service business) as well as the innovative production of environmentally friendly automotive lighting and automotive electronic power products (the Group's manufacturing business), with an aim to providing automobile consumers with products and services with premium performance-price ratio.

Details of the principal activities of the subsidiaries of the Company are set out in note 20 to the Financial Statements.

Business Review

Discussions and reviews of the Group's business are contained in the Management Discussion and Analysis of this annual report. These discussions and reviews form part of this Report of the Directors.

Results and Dividends

The consolidated results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 44. An analysis of turnover and segmental results for the Year by geographical and business segments is set out in note 6 to the Financial Statements.

The Directors do not recommend the payment of a final dividend for the Year (2014: Nil).

Property, Plant and Equipment

Details of the movements of property, plant and equipment of the Group during the Year are set out in note 15 to the Financial Statements.

Investment Properties

Details of the movements of investment properties of the Group during the Year are set out in note 17 to the Financial Statements.

Share Capital

Details of the issued share capital of the Company and its movements during the Year along with the relevant reasons are set out in note 29 to the Financial Statements.

Reserves

Movements of reserves of the Group and the Company are set out in the consolidated statement of changes in equity and note 30 to the Financial Statements respectively.

Distributable Reserves

Under the Companies Law of the Cayman Islands, share premium amounting to approximately RMB876,692,000 is distributable to shareholders, provided that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to settle its debts as they fall due in the ordinary course of business.

As at 31 December 2015, the reserve available for distribution to shareholders of the Company (the "**Shareholders**") amounted to approximately RMB278,684,000.

Closure of Register of Members

The register of members will be closed from 22 June 2016 to 24 June 2016 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 21 June 2016.

Directors

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

Executive Directors

Zhang Jianxing* *(Chief Executive Officer, and appointed as Chairman with effect from 31 March 2016)*
Du Jinglei *(re-designated from non-executive Director to executive Director with effect from 31 March 2016)*

Non-executive Directors

Ying Wei* *(resigned as Chairman with effect from 31 March 2016)*
Hung Wei-Pi, John *(resigned with effect from 20 May 2015)*
Wang Zhenyu

Independent Non-executive Directors

Hu Yuming
Lin Lei
Zhang Jie *(resigned with effect from 20 March 2015)*
Zhang Xiaoya *(appointed with effect from 20 March 2015)*

* As disclosed in the announcement of the Company dated 30 March 2016, Mr. Ying Wei resigned as chairman of the Company and the chairman of the Nomination Committee but remained as a non-executive Director of the Company with effect from 31 March 2016, while Mr. Zhang Jianxing was appointed as the chairman of the Company and the chairman of the Nomination Committee with effect from 31 March 2016.

Directors *(Continued)*

Biographical details of the Directors are set out in the section headed "Profiles of the Directors and Senior Management" in this annual report.

In accordance with Article 87(1) of the Company's Articles, Mr. Ying Wei, Mr. Wang Zhenyu and Mr. Zhang Jianxing will retire by rotation at the forthcoming annual general meeting of the Company. All such Directors being eligible, offer themselves for re-election.

The Company has received from each of its independent non-executive Directors an annual confirmation or confirmation of his independence. The Company considers that all of its independent non-executive Directors are independent.

Directors' Service Contracts

Each of Mr. Zhang Jianxing, Mr. Ying Wei, Mr. Wang Zhenyu and Mr. Du Jinglei, has entered into a service agreement with the Company for a term of three years commencing from 28 August 2013, subject to retirement by rotation in accordance with the Articles of the Company.

Pursuant to the respective letters of appointment of the independent non-executive Directors, namely, Mr. Hu Yuming and Mr. Lin Lei, each of them was appointed for a term of three years commencing from 28 August 2013, subject to retirement by rotation in accordance with the Articles of the Company.

Mr. Zhang Xiaoya, an independent non-executive Director, has entered into a letter of appointment with the Company for a term of three years commencing from 20 March 2015, subject to retirement by rotation in accordance with the Articles of the Company.

Directors' Service Contracts (Continued)

Save as disclosed above, none of the Directors had entered into service contracts with the Company which are not determinable by the Company within one year without compensation (other than statutory compensation).

Directors' Interests in Contracts

Save as disclosed in the section headed "Connected Transactions" in this report, none of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the Year.

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 subsisted during the Year.

Share Option Scheme

The Company terminated the old share option scheme (the "**Old Scheme**") and adopted a new share option scheme (the "**Existing Scheme**") pursuant to a shareholders' resolution passed on 25 June 2014 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants of the Existing Scheme include the Directors, employees, suppliers, customers and business or strategic alliance partners of the Group. The Existing Scheme became effective on 25 June 2014 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. A summary of the principal terms of the Existing Scheme was included in the circular dated 30 April 2014 dispatched to the Shareholders.

The maximum number of shares which may be issued upon exercise of all share options granted and to be granted under the Existing Scheme is 376,116,501 shares, representing 10% and 8.22% of the shares of the Company in issue as at the date of adoption of the Existing Scheme and as at the date of this annual report respectively, unless approval for refreshing the 10% limit from the Company's shareholders has been obtained. The maximum number of shares issued and may be issued under share options granted to each eligible participant in the Existing Scheme (including both exercised and outstanding share options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share Option Scheme *(Continued)*

The grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to prior approval 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 the 12-month period up to and including the date of the grant of share options in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, are subject to shareholders' prior approval in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a nominal consideration of HK$10 in total by the grantee. The exercise period of the share options granted is determined by the Board, save that such a period shall not be more than 10 years from the date of grant of the share options subject to the provisions for early termination as set out in the Existing Scheme. Unless otherwise determined by the Directors at their sole discretion, there is no requirement of a minimum holding period or a performance target which must be achieved before a share option can be exercised.

The exercise price of the share options shall be the highest of (i) the nominal value of a share of the Company on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of grant.

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

As at 31 December 2015, options had been granted by the Company under the Existing Scheme which, if exercised in full, would entitle the grantees to subscribe for 138,083,332 shares. The total number of shares available for issue under the Existing Scheme (excluding share options already granted) is 236,699,837 shares, representing approximately 5.17% of the total issued share capital of the Company as at that date.

Share Option Scheme (Continued)

As at 31 December 2015, details of share options granted under the Old Scheme are as follows:

Name of option holder	Date of grant	Exercise period	Exercise price (per share)	Closing price of share on date of grant (per share)	Number of underlying shares subject to options outstanding as at 1 January 2015	Number of underlying shares subject to options granted since 1 January 2015	Number of options exercised/ lapsed/ cancelled since 1 January 2015	Number of underlying shares subject to options outstanding as at 31 December 2015
Ms. Hung Ying-Lien *Former Executive Director (Note 1)*	28 February 2005	1 January 2006 to 12 February 2015	HK$0.94	HK$0.94	3,400,000	–	3,400,000 *(Note 2)*	–
Total					3,400,000	–	3,400,000	–

Notes:

1. Ms. Hung Ying-Lien resigned as an executive Director and the chief financial officer of the Company with effect from 28 August 2013 and was appointed as vice president and chief operating officer of the Company. Ms. Hung Ying-Lien is the sister of Mr. Hung Wei-Pi, John, a non-executive Director of the Company who has resigned with effect from 20 May 2015.

2. As the relevant performance targets or conditions as determined by the Board have not been fulfilled, the remaining share options have not been vested during the period from 1 January 2015 to 12 February 2015 and they have lapsed at the end of the vesting period.

Share Option Scheme *(Continued)*

As at 31 December 2015, details of share options granted under the Existing Scheme are as follows:

Name of option holder	Date of grant	Exercise period	Exercise price (per share)	Closing price of share on date of grant (per share)	Number of underlying shares subject to options outstanding as at 1 January 2015	Number of underlying shares subject to options granted since 1 January 2015	Number of options exercised/ lapsed/ cancelled since 1 January 2015	Number of underlying shares subject to options outstanding as at 31 December 2015
Ms. Hung Ying-Lien	14 October 2014	15 October 2014 to 14 October 2019 *(Note 3)*	HK$0.50	HK$0. 50	13,000,000	–	907,232	12,092,768
Continuous contractual employees *(in aggregate)*	14 October 2014	15 October 2014 to 14 October 2019 *(Note 3)*	HK$0. 50	HK$0. 50	136,500,000	–	10,509,436	125,990,564
Total					149,500,000	–	11,416,668 *(Note 4)*	138,083,332

Note 3: 1,333,332 share options out of the total of 149,500,000 share options were exercised during the period from 1 January 2015 to 31 December 2015 and the remaining share options shall be vested and are exercisable during the period from 1 January 2016 to 14 October 2019, subject to the fulfilment of certain performance targets and other vesting conditions as described in the grant letter issued by the Company to each Grantee.

Note 4: Among 11,416,668 share options which were exercised, lapsed or cancelled during the period from 1 January 2015 to 31 December 2015, 1,333,332 share options were exercised by continuous contractual employees, 9,944,353 share options lapsed and 138,983 share options were cancelled.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2015, to the best knowledge of the Directors and chief executives of the Company, none of the Directors or chief executives of the Company had or was deemed to have any 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**")), which were required to be recorded in the register maintained by the Company under Section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

Substantial Shareholders' Interests and Short Positions in the Shares of the Company

So far as is known to the Directors and chief executives of the Company, as at 31 December 2015, the following persons (other than Directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company, which are required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interest	Number of shares interested (other than under equity derivatives) *(Note 1)*	Number of shares interested under equity derivatives	Total number of shares/underlying shares under equity derivatives	Percentage of issued shares
CDH Fast Two Limited	Beneficial owner *(Note 2)*	2,889,580,226 (L)	–	2,889,580,226 (L)	63.15%
CDH Fast One Limited	Interest in a controlled corporation *(Note 2)*	2,889,580,226 (L)	–	2,889,580,226 (L)	63.15%
CDH Fund IV, L.P.	Interest in a controlled corporation *(Note 2)*	2,889,580,226 (L)	–	2,889,580,226 (L)	63.15%
CDH IV Holdings Company Limited	Interest in a controlled corporation *(Note 2)*	2,889,580,226 (L)	–	2,889,580,226 (L)	63.15%
China Diamond Holdings IV, L.P.	Interest in a controlled corporation *(Note 2)*	2,889,580,226 (L)	–	2,889,580,226 (L)	63.15%
China Diamond Holdings Company Limited	Interest in a controlled corporation *(Note 2)*	2,889,580,226 (L)	–	2,889,580,226 (L)	63.15%

Substantial Shareholders' Interests and Short Positions in the Shares of the Company *(Continued)*

Notes:

1. The letter "L" denotes a long position in the shares.

2. CDH Fast Two Limited entered into an investment agreement (the "**Investment Agreement**") with the Company on 25 June 2013 pursuant to which CDH Fast Two Limited agreed to subscribe for 1,262,564,333 new shares and convertible bonds in principal amount of US$48,685,000 (the "**Convertible Bonds**") issued by the Company. Each of CDH Fast One Limited (as the sole shareholder of CDH Fast Two Limited); CDH Fund IV, L.P. (as the sole shareholder of CDH Fast One Limited); CDH IV Holdings Company Limited (as the general partner of CDH Fund IV, L.P.); China Diamond Holdings IV, L.P. (as the controlling shareholder of CDH IV Holdings Company Limited); and China Diamond Holdings Company Limited (as the general partner of China Diamond Holdings IV, L.P.) is deemed to be interested in the shares of the Company. Transactions contemplated under the Investment Agreement were completed on 28 August 2013. Upon the receipt of a conversion notice on 11 June 2014 from CDH Fast Two Limited for partial conversion of the Convertible Bonds in the principal amount of US$24,342,500, the Company allotted and issued a total of 813,507,946 Conversion Shares to CDH Fast Two Limited at the Conversion Price of HK$0.2328 per Conversion Share on 12 June 2014. Upon the receipt of a conversion notice on 25 December 2015 from CDH Fast Two Limited for full conversion of the remaining Convertible Bonds in the principal amount of US$24,342,500 (approximately HK$189,384,650), the Company allotted and issued a total of 813,507,947 Conversion Shares to CDH Fast Two Limited at the Conversion Price of HK$0.2328 per Conversion Share on 28 December 2015.

Save as disclosed above, as at 31 December 2015, the Directors are not aware of any person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Arrangements to Purchase Shares or Debentures

Save as disclosed above and under the section headed "Share Option Scheme", at no time during the Year were there any rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, nor were there any such rights exercised by them. Also, there was no arrangement to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries is a party that would enable the Directors to acquire such rights in any other body corporate.

Equity-linked Agreements

Save for the CDH CBs and Haitong CBs disclosed in the Management Discussion and Analysis of this annual report and note 27 to the financial statements, and the Existing Scheme as disclosed in section "Share Option Schemes" of this Report of the Directors, no equity-linked agreement was entered into or subsisted during the year ended 31 December 2015.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

Update on Material Transactions

Performance of Supplemental Agreement to Equity Transfer Agreement regarding Acquisition of 51% Equity Interest in Changchun Guangda

In January 2014, the Company entered into a supplemental agreement (the "**Supplemental Agreement**") with the Vendor (a connected person of the Company) to amend certain terms of the equity transfer agreement dated 17 July 2012 for the transfer of 51% interest in Changchun Guangda from the Vendor to the Company. The Supplemental Agreement included change of payment terms and additional guarantee of future performance of Changchun Guangda by the Vendor. For this purpose, 10% equity interest in Changchun Guangda ("**Equity Interest as Collateral**") was transferred by the Vendor to the designated subsidiary of the Company to secure performance of the guarantee.

Pursuant to the terms of the Supplemental Agreement, as the audited net profit after taxation of Changchun Guangda for 2015 was less than RMB26,000,000, the Company was not required to pay the consideration of RMB4,780,000 and obtained the Equity Interest as Collateral at no consideration. Accordingly, the Company's interest in Changchun Guangda has increased by 10% and it currently holds 61% equity interest in Changchun Guangda in total. Please refer to the announcement of the Company dated 29 January 2014 and relevant information contained in paragraph headed "Operating Loss" on pages 7 and 8 of this annual report for further details.

Connected Transactions

During 2015 and up to the date hereof, the following connected transactions were carried out by the Company and its subsidiaries pursuant to Chapter 14A of the Listing Rules.

(i) Sale of goods to Liaoning Auto Make Business Management Co., Ltd. ("Auto Make")

In 2015, Liaoning Xin Tian Cheng Industrial Co., Limited ("**Liaoning XTC**"), which is owned as to 51% by the Company, 29% by Tong Yan and 20% by Li Hai Peng, has sold goods to Auto Make which is wholly owned by Tong Yan and Li Hai Peng. Such sale of goods constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The applicable percentage ratios (other than the profit ratios) are less than 1% and the transactions are continuing connected transactions only because they involve connected persons at the subsidiary level. As such, the continuing connected transactions are de minimis transactions and are fully exempt from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.76(1)(b).

(ii) Financial Assistance received by Liaoning XTC from Tong Yan

In 2015, Tong Yan provided guarantee to a supplier of Liaoning XTC to secure the debt up to RMB3,603,000 owed to such supplier by Liaoning XTC by using the property owned by Tong Yan as mortgage ("**Financial Assistance from Tong Yan**"). The Financial Assistance from Tong Yan constitutes connected transaction of the Company under Chapter 14A of the Listing Rules. The Financial Assistance from Tong Yan was conducted on normal or better commercial terms and it was not secured by the assets of the Group. As such, it is fully exempt from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90.

(iii) Financial assistance received by the Company from Mr. Ying Wei

In 2015, Mr. Ying Wei, a non-executive Director of the Company, provided guarantee to a bank in Taiwan to secure the debt owed to such bank by New Focus Richahaus Co., Ltd, a subsidiary of the Company ("**Financial Assistance from Ying Wei**"). The Financial Assistance from Ying Wei constitutes connected transaction of the Company under Chapter 14A of the Listing Rules. The Financial Assistance from Ying Wei was conducted on normal or better commercial terms and it was not secured by the assets of the Group. As such, it is fully exempt from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for all connected transactions and continuing connected transactions conducted during the Year.

Permitted Indemnity

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. Every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

Directors' Interests in Competing Business

As at 31 December 2015 and up to the date of this annual report, none of the Directors are considered to be in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

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

During the Year, the Company did not repurchase any ordinary shares of the Company on the Stock Exchange under the general mandate granted at the annual general meeting held on 25 June 2015, and, there were no purchases, sales or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Year.

Major Customers and Suppliers

Sales to our five largest customers accounted for approximately 14.73% of the total revenue for the Year, whereas the largest customer accounted for 5.83%. Purchases from the five largest suppliers were less than 30% of the total purchases for the Year.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

Public Float

As at the date of this annual report, based on public information available to the Company and to the best knowledge of the Directors, the Company maintained sufficient public float, being 25% of the issued share capital of the Company, as required under the Listing Rules.

Auditor

The financial statements have been audited by KPMG. At the forthcoming annual general meeting, the Company will propose a resolution to re-appoint KPMG as the auditor of the Company.

On behalf of the Board
Ying Wei
Chairman

Hong Kong, 30 March 2016

KPMG

Independent auditor's report to the shareholders of
New Focus Auto Tech Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of New Focus Auto Tech Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 44 to 127, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' Responsibility

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015 *(Expressed in Renminbi)*

	Note	**2015 RMB'000**	2014 RMB'000
Revenue	*6*	**1,254,191**	1,397,498
Cost of sales and services		**(999,070)**	(1,100,379)
Gross profit		**255,121**	297,119
Other revenue and gains and losses	*7*	**55,124**	49,078
Distribution costs		**(198,621)**	(225,042)
Administrative expenses		**(143,331)**	(121,268)
Impairment loss on goodwill	*18*	**(28,003)**	–
Finance costs	*8*	**(37,713)**	(26,266)
Share of loss of an associate	*21*	**(5,879)**	–
Loss before taxation	*9*	**(103,302)**	(26,379)
Income tax expenses	*11*	**(645)**	(9,422)
Loss for the year		**(103,947)**	(35,801)
Other comprehensive income	*14*		
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	*30(i)(f)*	**(17,136)**	(7,037)
Available-for-sale financial assets: net movement in the fair value reserve		**325**	–
Other comprehensive income for the year, net of tax		**(16,811)**	(7,037)
Total comprehensive income for the year		**(120,758)**	(42,838)
(Loss)/profit for the year attributable to			
– Owners of the Company		**(90,967)**	(43,223)
– Non-controlling interests		**(12,980)**	7,422
		(103,947)	(35,801)
Total comprehensive income attributable to			
– Owners of the Company		**(107,778)**	(50,260)
– Non-controlling interests		**(12,980)**	7,422
		(120,758)	(42,838)
Loss per share	*13*		
Basic (RMB cents)		**(2.41)**	(1.27)
Diluted (RMB cents)		**(2.41)**	(1.27)

The notes on pages 50 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015 *(Expressed in Renminbi)*

	Note	**31 December 2015 RMB'000**	31 December 2014 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*15*	**177,380**	185,696
Leasehold land and land use rights	*16*	**31,289**	32,324
Investment properties	*17*	**42,775**	42,033
Goodwill	*18*	**118,253**	146,256
Other intangible assets	*19*	**47,923**	47,919
Interest in an associate	*21*	**6,121**	–
Deferred tax assets	*28*	**21,196**	15,653
Amounts due from related parties	*33(b)*	**6,991**	–
		451,928	469,881
Current assets			
Inventories	*23*	**196,143**	214,646
Tax recoverable		**274**	5
Trade receivables	*24(a)*	**130,742**	131,356
Deposits, prepayments and other receivables	*24(b)*	**335,729**	199,618
Amounts due from related parties	*33(b)*	**3,603**	3,186
Pledged time deposits	*31*	**6,903**	6,212
Available-for-sale financial assets	*22*	**53,383**	–
Cash and cash equivalents	*31*	**140,327**	163,511
		867,104	718,534
Current liabilities			
Bank borrowings, secured	*25*	**216,325**	152,620
Trade payables	*26(a)*	**171,557**	190,445
Accruals and other payables	*26(b)*	**158,241**	134,639
Amounts due to non-controlling owners of subsidiaries		**–**	5,000
Tax payable		**4,009**	1,598
Convertible bonds	*27*	**156,319**	–
		706,451	484,302
Net current assets		**160,653**	234,232
Total assets less current liabilities		**612,581**	704,113

	Note	**31 December 2015 RMB'000**	31 December 2014 RMB'000
Non-current liabilities			
Bank borrowings, secured	*25*	**7,920**	9,209
Deferred tax liabilities	*28*	**19,948**	19,852
Convertible bonds	*27*	**–**	134,755
		27,868	163,816
NET ASSETS		**584,713**	540,297
CAPITAL AND RESERVES			
Share capital	*29*	**376,133**	307,931
Reserves	*30*	**100,784**	102,824
Total equity attributable to owners of the Company		**476,917**	410,755
Non-controlling interests		**107,796**	129,542
TOTAL EQUITY		**584,713**	540,297

Approved and authorised for issue by the board of directors on 30 March 2016.

Ying Wei
Director

Du Jinglei
Director

The notes on pages 50 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015 *(Expressed in Renminbi)*

	Share capital	Share premium	Statutory reserve fund	Re-organisation reserve	Enterprise expansion fund	Convertible bonds reserve	Others	Capital redemption reserve	Exchange reserve	Retained profits/ (accumulated losses)	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 29)	*(Note 30(i)(a))*	*(Note 30(i)(b))*		*(Note 30(i)(c))*	*(Note 30(i)(g))*	*(Note 30(i)(d))*	*(Note 30(i)(e))*	*(Note 30(i)(f))*				
At 1 January 2015	307,931	760,136	49,045	2,738	2,756	28,888	7,523	1,545	(12,354)	(737,453)	410,755	129,542	540,297
Loss for the year	–	–	–	–	–	–	–	–	–	(90,967)	(90,967)	(12,980)	(103,947)
Other comprehensive income	–	–	–	–	–	–	325	–	(17,136)	–	(16,811)	–	(16,811)
Total comprehensive income for the year, net of tax	–	–	–	–	–	–	325	–	(17,136)	(90,967)	(107,778)	(12,980)	(120,758)
Transfer of reserves	–	–	3,596	–	–	–	–	–	–	(3,596)	–	–	–
Conversion of convertible bonds *(Note 27)*	68,090	115,892	–	–	–	(28,888)	–	–	–	–	155,094	–	155,094
Acquisition of additional interests in a subsidiary *(Note 33(a)(ii))*	–	–	–	–	–	–	9,051	–	–	–	9,051	(9,051)	–
Arising from acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	1,390	1,390
Dividends declared to non-controlling owners of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(1,105)	(1,105)
Recognition of equity-settled share-based payments *(Note 34)*	–	–	–	–	–	–	9,246	–	–	–	9,246	–	9,246
Shares issued under share option scheme *(Note 34)*	112	664	–	–	–	–	(227)	–	–	–	549	–	549
At 31 December 2015	376,133	876,692	52,641	2,738	2,756	–	25,918	1,545	(29,490)	(832,016)	476,917	107,796	584,713
At 1 January 2014	242,704	668,949	44,431	2,738	2,756	57,775	6,283	1,545	(5,317)	(690,956)	330,908	162,767	493,675
Loss for the year	–	–	–	–	–	–	–	–	–	(43,223)	(43,223)	7,422	(35,801)
Other comprehensive income	–	–	–	–	–	–	–	–	(7,037)	–	(7,037)	–	(7,037)
Total comprehensive income for the year, net of tax	–	–	–	–	–	–	–	–	(7,037)	(43,223)	(50,260)	7,422	(42,838)
Transfer of reserves	–	–	4,614	–	–	–	–	–	–	(4,614)	–	–	–
Disposal of investment properties	–	–	–	–	–	–	(1,006)	–	–	1,340	334	–	334
Conversion of convertible bonds *(Note 27)*	65,227	91,187	–	–	–	(28,887)	–	–	–	–	127,527	–	127,527
Disposal of a subsidiary*	–	–	–	–	–	–	–	–	–	–	–	(21,862)	(21,862)
Dividends declared to non-controlling owners of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(18,785)	(18,785)
Recognition of equity-settled share-based payments *(Note 34)*	–	–	–	–	–	–	2,246	–	–	–	2,246	–	2,246
At 31 December 2014	307,931	760,136	49,045	2,738	2,756	28,888	7,523	1,545	(12,354)	(737,453)	410,755	129,542	540,297

* On 17 December 2014, the Group disposed all equity interest in a subsidiary, Hubei Autoboom Auto Accessories Supermarket Co, Ltd ("Hubei Autoboom").

The notes on pages 50 to 127 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015 *(Expressed in Renminbi)*

	2015 RMB'000	2014 RMB'000
Operating activities:		
Loss before income tax expense	**(103,302)**	(26,379)
Adjustments for:		
– Impairment of inventories	**5,329**	5,721
– Depreciation of property, plant and equipment	**39,244**	41,820
– Amortisation of leasehold land and land use rights	**1,035**	1,260
– Additional allowance for doubtful debts on trade receivables and other receivables	**2,138**	1,872
– Impairment of goodwill	**28,003**	–
– Equity-settled share-based payments	**9,246**	2,246
– Interest income	**(23,435)**	(5,331)
– Loss/(gain) on disposal of property, plant and equipment	**2,921**	(7,550)
– Fair value gain on investment properties	**(742)**	(1,075)
– Interest expenses on bank borrowings	**10,518**	8,730
– Imputed interest on convertible bonds	**27,195**	17,536
– Reclassification from equity on disposal of available-for-sale financial assets	**(898)**	–
– Gain on disposal of a subsidiary and trading securities	**–**	(2,094)
– Written-off of consideration payables and other payables	**(394)**	(24,202)
– Fair value change for derivative financial liability	**(19,330)**	–
– Share of loss of an associate	**5,879**	–
Operating cash flows before working capital changes	**(16,593)**	12,554
Decrease in inventories	**13,174**	11,527
Decrease in trade receivables	**614**	5,013
Decrease in deposits, prepayments and other receivables	**5,378**	32,063
(Increase)/decrease in amounts due from related companies	**(417)**	808
(Decrease)/increase in trade payables	**(18,494)**	5,135
Increase in accruals and other payables	**24,876**	16,059
Cash generated from operations	**8,538**	83,159
Income tax paid	**(4,004)**	(10,284)
Interest paid	**(10,694)**	(8,554)
Net cash (used in)/generated from operating activities	**(6,160)**	64,321

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015 *(Expressed in Renminbi)*

	2015 RMB'000	2014 RMB'000
Investing activities		
Purchase of other intangible assets	**(4)**	–
Purchase of property, plant and equipment	**(35,819)**	(22,858)
Purchase of available-for-sale financial assets	**(91,000)**	–
Proceeds from sale of available-for-sale financial assets	**38,896**	–
Proceeds from disposal of property, plant and equipment and investment properties	**15,893**	17,200
Loans to an associate	**(6,991)**	–
Loans to a third party	**(190,000)**	(100,000)
Loans repaid by a third party	**40,000**	–
Payment for acquisition of an associate/subsidiaries	**(12,000)**	(72,820)
(Increase)/decrease in pledged time deposits	**(691)**	14,670
Interest received	**13,670**	5,331
Proceeds from disposal of a subsidiary and trading securities	**–**	23,306
Net cash used in investing activities	**(228,046)**	(135,171)
Financing activities		
Proceeds from issue of shares and convertible bonds	**153,382**	–
Issuance costs of shares and convertible bonds	**(156)**	–
Proceeds from investment of non-controlling owners of a subsidiary	**490**	–
Proceeds from new bank loans	**329,804**	152,621
Repayment of bank loans	**(267,389)**	(129,718)
Repayment of loan from a non-controlling owner of a subsidiary	**(5,000)**	(4,511)
Dividend paid to non-controlling owners of subsidiaries	**(1,105)**	(18,785)
Net cash generated from/(used in) financing activities	**210,026**	(393)
Net decrease in cash and cash equivalents	**(24,180)**	(71,243)
Cash and cash equivalents at beginning of year	**163,511**	234,865
Effect of foreign exchange rate changes	**996**	(111)
Cash and cash equivalents at end of year	**140,327**	163,511
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	**140,327**	163,511

The notes on pages 50 to 127 form part of these financial statements.

1 ORGANISATION AND PRINCIPAL ACTIVITIES

New Focus Auto Tech Holdings Limited (the "Company") was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. Its principal place of business is in Shanghai, the People's Republic of China (the "PRC").

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of electronic and power-related automotive parts and accessories; and the provision of automobile repair, maintenance and restyling services and retail distribution of merchandise goods through its service chain stores network in the Greater China Region and trading of automobile accessories. The Company and its subsidiaries are collectively referred to as the Group.

2 BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the IASB, and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, these financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

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

These consolidated financial statements were authorised for issue by the Board of Directors on 30 March 2016.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the company and its subsidiaries (together referred to as the "group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except the following assets and liabilities, which are measured at fair value on each reporting date.

2 BASIS OF PREPARATION *(Continued)*

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

- Investment properties;
- Available-for-sale financial assets;
- Trading securities; and
- Derivative financial instruments.

(c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is the currency of the primary economic environment in which the major entities of the Group operate. The functional currency of the Company is US dollar.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IAS 19, *Defined benefit plans: Employee contributions*
- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2011-2013 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IAS 19, Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on the Group's consolidated financial statements as the defined benefit plans operated by the Group are wholly funded by contributions from the Group and do not involve contributions from employees or third parties.

Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, Related Party Disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

4 PRINCIPAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income.

4 ***PRINCIPAL ACCOUNTING POLICIES*** *(Continued)*

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that presently are exercisable are taken into account.

Interests in subsidiaries are included in the Company's statement of financial position at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

4 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

4 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent period.

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

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

The historical 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 profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

4 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis. The principal estimated useful lives are as follows:

Freehold land	Not depreciated
Buildings	20 years
Leasehold improvements	Over the remaining term of the lease but not exceeding 10 years
Plant and machinery	3~10 years
Motor vehicles	5 years
Office equipment, furniture and fixtures	3~5 years

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction as well as borrowing costs capitalised during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sales proceeds and its carrying amount, and is recognised in profit or loss.

(f) Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured initially at their costs, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

4 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Research and development

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

(h) Other intangible assets

Other intangible assets are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, other intangible assets with indefinite useful lives are carried at cost less any impairment losses and other intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any change in estimate being accounted for on a prospective basis. The principal annual rates of other intangible assets with definite useful lives are as follows:

Trademarks with definite useful lives	6.6% to 10%
Technical know-how	20%

4 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Impairment of tangible and intangible assets excluding goodwill

At end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(j) Government grants

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

Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of providing immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(k) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost, including an appropriate portion of fixed and variable overhead expenses, is assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued using a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

(l) Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. The Group's financial assets are classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. These financial assets are subsequently accounted for as follows, depending on their classification:

(i) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

4 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(I) Financial assets *(Continued)*

(ii) Held-to-maturity financial assets

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method.

(iii) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iv) Available-for-sale financial assets

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency difference on debt instruments, are recognised in other comprehensive income and accumulated in the fair value reserve. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

(v) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at end of each reporting period. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For the Group’s loans and receivables, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

4 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Financial assets *(Continued)*

(v) Impairment of financial assets (Continued)

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

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

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

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

4 *PRINCIPAL ACCOUNTING POLICIES* *(Continued)*

(l) Financial assets *(Continued)*

(vi) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

(vii) Derecognition of financial assets

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

(m) Convertible notes

(i) Convertible notes that contain an equity component

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

4 *PRINCIPAL ACCOUNTING POLICIES* *(Continued)*

(m) Convertible notes *(Continued)*

(i) Convertible notes that contain an equity component (Continued)

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

(ii) Other convertible notes

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 4(n). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(n) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

4 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(p) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight line basis over the lease term. Where the Group is the lessee, operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land and land use rights held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense and less any impairment losses.

(q) Provisions

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

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

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

4 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Income taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

(i) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

4 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Income taxes *(Continued)*

Deferred tax assets and liabilities are offset only if certain criteria are met:

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

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

  – The same taxable entity; or

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

(s) Foreign currencies

Transactions entered into by the Group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

4 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) Foreign currencies *(Continued)*

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange reserve.

(t) Employees' benefits

(i) Short-term benefits

Salaries, annual bonuses, paid annual leaves and other allowances are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present value.

(ii) Defined contribution pension obligations

Contributions to defined contribution retirement plans are expensed when the services are rendered by the employees. The Group has no further payment obligation once the contributions have been paid.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(u) Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (i.e. share options reserve), based on the Group's estimate of equity instruments that will eventually vest. At end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the share options reserve.

4 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(u) Equity-settled share-based payment transactions *(Continued)*

At the time when the share options are exercised, the amount previously recognised in the share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service.

(v) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(w) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

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

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

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

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

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

4 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) Related parties *(Continued)*

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

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(i) Revenue from the sale of products is recognised when the Group has delivered products to the customer, the customer has accepted the products and collectability of the related receivable is reasonably assured.

(ii) Revenue for providing services is recognised to the extent of services rendered and according to the terms of the agreement.

(iii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

(iv) Rental income from operating leases is recognised in equal instalments over the accounting periods covered by the lease terms.

(v) Subsidies from the government are recognised at their fair values when there is reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions.

(vi) Sponsorship income is recognised on an accrual basis when the right to receive has been established.

4 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(y) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(z) Segment reporting

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

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

5 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

(a) Critical judgments in applying accounting policies

The following is the critical judgement that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect of the amounts recognised in financial statements.

(i) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(ii) Other intangible assets and amortisation

The Group determines the estimated useful lives and related amortisation for the Group's other intangible assets. The useful lives of other intangible assets are assessed to be either finite or indefinite, based on the expected usage and technical obsolescence from the changes in the market demands or services output from the assets. Other intangible assets with finite useful lives are amortised over the expected useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for the intangible assets with finite useful lives are reviewed by the management at least at the end of each reporting period.

5 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty

Information about assumption and estimation uncertainties that has a significant risk of resulting in a material adjustment in the year ended 31 December 2015 is included in the follow:

(i) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. Further details are set out in Note 18.

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

(iii) Impairment of trade and other receivables

The Group's management determines the allowance for impairment of trade and other receivables. This estimate is based on the credit history of its customers and debtors and the current market condition. Management will reassess the allowance at end of each reporting period.

(iv) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. Management will reassess the estimations at end of each reporting period.

6 REVENUE AND SEGMENT INFORMATION

Revenue, represents the sales value of goods supplied and services provided to customers and is analysed as follows:

	2015	2014
	RMB'000	RMB'000
Sale of goods	**838,260**	947,279
Services income	**415,931**	450,219
	1,254,191	1,397,498

(a) Reportable segment

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group operates in three reportable segments: (i) the manufacture and sale of automobile accessories (the "Manufacturing Business"); (ii) trading of automobile accessories (the "Wholesale Business"); and (iii) the provision of automobile repair, maintenance and restyling services (the "Retail Service Business").

Inter-segment transactions are priced with reference to prices charged to external parties for similar orders. Central expenses are not allocated to the operating segments as they are not included in the measure of the segments' results that is used by the chief operating decision-makers for assessment of segment performance.

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Reportable segment *(Continued)*

Set out below is an analysis of segment information:

	The Manufacturing Business RMB'000	The Wholesale Business RMB'000	The Retail Service Business RMB'000	Total RMB'000
For the year ended 31 December 2015				
Revenue				
External revenue	416,219	356,062	481,910	1,254,191
Inter-segment revenue	827	428	4,121	5,376
Segment revenue	417,046	356,490	486,031	1,259,567
Less: inter-segment revenue				(5,376)
Total revenue				1,254,191
Reportable segment results	13,995	(8,971)	(75,094)	(70,070)
Interest income	263	603	131	997
Unallocated interest income				22,438
Total interest income				23,435
Interest expenses	(1,183)	–	(1,532)	(2,715)
Unallocated interest expenses				(34,998)
Total interest expenses				(37,713)
Impairment loss on goodwill	–	–	28,003	28,003
Depreciation and amortisation charges	(15,239)	(3,454)	(19,111)	(37,804)
Unallocated depreciation and amortisation charges				(2,475)
Total depreciation and amortisation charges				(40,279)
Reportable segment assets	384,161	151,809	506,045	1,042,015
Total additions to non-current assets	5,738	2,326	33,426	41,490
Reportable segment liabilities	274,128	66,596	245,367	586,091

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Reportable segment *(Continued)*

	The Manufacturing Business RMB'000	The Wholesale Business RMB'000	The Retail Service Business RMB'000	Total RMB'000
For the year ended 31 December 2014				
Revenue				
External revenue	437,343	443,257	516,898	1,397,498
Inter-segment revenue	1,072	2,949	3,866	7,887
Segment revenue	438,415	446,206	520,764	1,405,385
Less: inter-segment revenue				(7,887)
Total revenue				1,397,498
Reportable segment results	4,712	2,296	11,296	18,304
Interest income	3,285	70	1,080	4,435
Unallocated interest income				896
Total interest income				5,331
Interest expenses	(1,188)	(202)	(1,405)	(2,795)
Unallocated interest expenses				(23,471)
Total interest expenses				(26,266)
Depreciation and amortisation charges	(14,714)	(4,379)	(21,479)	(40,572)
Unallocated depreciation and amortisation charges				(2,508)
Total depreciation and amortisation charges				(43,080)
Reportable segment assets	482,534	159,752	520,678	1,162,964
Total additions to non-current assets	14,911	1,797	5,402	22,110
Reportable segment liabilities	269,542	62,710	190,544	522,796

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable segment profit or loss, and assets and liabilities

	2015 RMB'000	2014 RMB'000
Loss before income tax expense		
Reportable segment (loss)/profit	**(70,070)**	18,304
Unallocated other revenue and gains and losses	**40,600**	4,523
Unallocated corporate expenses	**(38,834)**	(25,735)
Unallocated finance costs	**(34,998)**	(23,471)
Consolidated loss before income tax expense	**(103,302)**	(26,379)

	31 December 2015 RMB'000	31 December 2014 RMB'000
Assets:		
Reportable segment assets	**1,042,015**	1,162,964
Unallocated corporate assets	**277,017**	25,451
Consolidated total assets	**1,319,032**	1,188,415
Liabilities:		
Reportable segment liabilities	**586,091**	522,796
Unallocated corporate liabilities	**148,228**	125,322
Consolidated total liabilities	**734,319**	648,118

6 REVENUE AND SEGMENT INFORMATION *(Continued)*

(c) Geographical segments

Segment revenue from external customers of the Group and non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets") by geographical locations is presented as below:

	Revenue from external customers		Specified non-current assets	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC (Place of domicile)	**772,787**	887,663	**403,695**	427,628
America	**288,452**	305,128	**–**	–
Europe	**36,239**	42,806	**–**	–
Asia Pacific	**25,210**	28,712	**–**	–
Taiwan	**131,503**	133,189	**27,037**	26,600
	1,254,191	1,397,498	**430,732**	454,228

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

(d) Major customers

During the year, the Group's customer base is diversified and there was no customer (2014: Nil) with whom transactions exceeded 10% of the Group's revenues.

7 OTHER REVENUE AND GAINS AND LOSSES

	Note	2015 RMB'000	2014 RMB'000
Gross rentals from investment properties and other rental income		**2,657**	3,097
Interest income from bank deposits		**1,837**	5,331
Interest income from entrusted loan		**21,598**	–
(Loss)/gain on disposal of property, plant and equipment, net		**(2,921)**	7,550
Valuation gains on investment properties	17	**742**	1,075
Fair value change for derivative financial liability	27	**19,330**	–
Sale of scrap inventories and sample income		**633**	1,112
Government subsidies		**107**	1,658
Sponsorship income		**98**	329
Exchange gain/(loss), net		**4,289**	(1,679)
Written-off of consideration payables and other payables		**394**	24,202
Available-for-sale financial assets: reclassified from equity on disposal		**898**	–
Gain on disposal of a subsidiary and trading securities		**–**	2,395
Others		**5,462**	4,008
		55,124	49,078

8 FINANCE COSTS

	Note	2015 RMB'000	2014 RMB'000
Interests on bank borrowings repayable			
– within five years		**10,338**	8,519
– after five years		**180**	211
Interest on convertible bonds (including imputed interest)	27	**27,195**	17,536
		37,713	26,266

9 LOSS BEFORE INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
This is arrived at after charging:		
Cost of inventories*	**993,741**	1,094,658
Write-down of inventories	**5,329**	5,721
	999,070	1,100,379
Depreciation of property, plant and equipment	**39,244**	41,820
Amortisation of Leasehold land and land use rights	**1,035**	1,260
Total depreciation and amortisation charges	**40,279**	43,080
Additional allowance for doubtful debts on trade receivables and other receivables	**2,138**	1,872
Impairment loss on goodwill	**28,003**	–
	30,141	1,872
Auditors' remuneration		
– audit services	**6,500**	2,000
Operating lease charges	**58,074**	63,783
Employee benefit expenses (including directors' remuneration) *(Note 10(a))*		
Salaries and allowances	**244,617**	249,552
Pension fund contributions	**17,186**	16,601
Equity-settled share-based payments	**9,246**	2,246
Other benefits	**9,212**	8,080
Total employee benefit expenses	**280,261**	276,479

* Costs of inventories includes RMB191,104,000 (2014: RMB185,622,000) relating to employee benefit expenses, depreciation and amortisation charges, which are also included in the respective total amounts disclosed separately above.

10 DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

The directors' remuneration for the years ended 31 December 2015 and 2014 is set out below:

2015

Name of directors	Fees RMB'000	Salaries and other allowances RMB'000	Total RMB'000
Executive directors:			
Zhang Jianxing (Chief Executive Officer)	–	–	–
Non-executive directors:			
Ying Wei (Chairman)	–	–	–
Wang Zhenyu	–	–	–
Hung Wei-Pi, John# (Vice-chairman)	–	–	–
Du Jinglei	–	–	–
Independent non-executive directors:			
Hu Yuming	100	–	100
Lin Lei	100	–	100
Zhang Jie*	–	–	–
Zhang Xiaoya&	100	–	100
	300	–	300

resigned on 20 May 2015

* resigned on 20 March 2015

& appointed on 19 March 2015

10 DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' remuneration *(Continued)*

2014

Name of directors	Fees	Salaries and other allowances	Total
	RMB'000	RMB'000	RMB'000
Executive directors:			
Zhang Jianxing (Chief Executive Officer)	–	–	–
Non-executive directors:			
Ying Wei (Chairman)	–	–	–
Wang Zhenyu	–	–	–
Hung Wei-Pi, John (Vice-chairman)	–	–	–
Du Jinglei	–	–	–
Independent non-executive directors:			
Hu Yuming	100	–	100
Lin Lei	100	–	100
Zhang Jie	–	–	–
	200	–	200

No discretionary bonus, inducement fee, employer's contribution to pension scheme or compensation for loss of office as directors was given to any of the directors during the year (2014: Nil).

Two of the directors have waived or agreed to waive any emolument paid by the Group during the year (2014: Two). The details are set out below:

	2015	2014
	RMB'000	RMB'000
Zhang Jianxing	**1,200**	1,200
Zhang Jie	**100**	100
Total	**1,300**	1,300

10 DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2015 included no director (2014: Nil) whose emolument is reflected in the analysis presented in Note 10(a) above.

The emoluments paid or payment to the five non-director (2014: five) highest paid employees are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other allowances	**3,439**	3,373
Retirement scheme contributions	**162**	149
Share-based payments	**3,633**	1,038
Total	**7,234**	4,560

The emoluments of the five (2014: five) individuals with the highest emoluments are within the following bands:

	2015 Number of Individuals	2014 Number of Individuals
Nil to HK$1,000,000	**–**	3
HK$1,000,001 to HK$1,500,000	**3**	–
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	–
Total	**5**	5

11 INCOME TAX EXPENSES

(a) Amounts recognised in profit or loss

	2015 RMB'000	2014 RMB'000
Current tax expense		
– Current year		
PRC	**6,211**	9,907
– Adjustment for prior years	**(76)**	1,038
– Land appreciation tax	**–**	1,570
	6,135	12,515
Deferred tax expense		
– Origination and reversal of temporary differences, net	**(5,490)**	(3,093)
	(5,490)	(3,093)
	645	9,422

(b) No provision for Hong Kong profits tax has been made as the Group had no taxable profits arising in Hong Kong for the years ended 31 December 2015 and 2014. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

The applicable PRC and Taiwan income tax rate is 25% (2014: 25%) and 17% (2014: 17%) respectively for the year. One major PRC subsidiary of the Company, renewed the qualification of high and new technology enterprise in the PRC, is subject to an applicable national PRC income tax rate of 15% (2014: 15%) for three years from 1 January 2014.

11 INCOME TAX EXPENSES *(Continued)*

(c) The income tax expense for the year can be reconciled to the loss before income tax expense per consolidated statement of comprehensive income as follows:

	2015	2014
	RMB'000	RMB'000
Loss before income tax expense	**(103,302)**	(26,379)
Tax calculated at applicable tax rate of 25% (2014: 25%)	**(25,826)**	(6,595)
Tax effect of non-deductible expenses	**8,914**	3,641
Utilisation of tax losses not previously recognised	**(1,377)**	(1,454)
Unrecognised tax losses	**13,584**	8,928
Effect of preferential tax treatments and tax exemptions	**(4,633)**	(2,551)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**9,926**	7,053
(Over-provision)/under-provision in respect of prior years	**(76)**	1,038
Land appreciation tax over-provided in respect of prior years	**–**	(979)
Land appreciation tax arising from the valuation on investment properties	**133**	341
Income tax expense	**645**	9,422

12 DIVIDEND

The board of directors did not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil). No interim dividend was declared in respect of the year ended 31 December 2015 (2014: Nil).

13 LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted loss per share is based on the loss for the year attributable to the owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue after adjusting for the effect of all dilutive potential ordinary shares.

13 LOSS PER SHARE *(Continued)*

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

	2015	2014
	RMB'000	RMB'000
Loss		
Loss for the year attributable to the owners of the Company, used in the basic and diluted loss per share calculation	**(90,967)**	(43,223)

	2015	2014
Shares		
Weighted average number of ordinary shares for the basic loss per share calculation	**3,770,249,117**	3,400,101,211
Effect of dilution – weighted average number of ordinary shares:		
– Share options#	**–**	–
– Convertible bonds*	**–**	–
Weighted average number of ordinary shares adjusted for the effect of all potential ordinary shares	**3,770,249,117**	3,400,101,211

The computation of diluted loss per share for the years ended 31 December 2015 and 2014 does not assume the conversion of the Company's outstanding share options since their exercise would result in a reduction in loss per share.

* The computation of diluted loss per share for the years ended 31 December 2015 and 2014 does not assume the conversion of the Company's convertible bonds issued to CDH Fast Two Limited ("CDH CBs") or Haitong International Financial Products Limited ("Haitong CBs"), as described in note 27, since their exercises would result in a reduction in loss per share.

14 OTHER COMPREHENSIVE INCOME, NET OF TAX

(a) Tax effects relating to each component of other comprehensive income

2015

	Before tax amount RMB'000	Tax expense RMB'000	Net of tax amount RMB'000
Exchange differences on translating foreign operations	(17,136)	–	(17,136)
Available-for-sale financial assets: net movement in the fair value reserve	381	(56)	325
	(16,755)	(56)	(16,811)

2014

	Before tax amount RMB'000	Tax expense RMB'000	Net of tax amount RMB'000
Exchange differences on translating foreign operations	(7,037)	–	(7,037)

(b) Components of other comprehensive income, including reclassification adjustments

	2015 RMB'000	2014 RMB'000
Available-for-sale financial assets:		
Changes in fair value recognised during the period	1,279	–
Reclassification adjustments for amounts transferred to profit or loss:		
– gains on disposal (Note 7)	(898)	–
Net deferred tax credited to other comprehensive income	(56)	–
Net movement in the fair value reserve during the period recognised in other comprehensive income	325	–

15 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Freehold land and buildings RMB'000	Leasehold Impr-ovements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment, furniture and fixtures RMB'000	Total RMB'000
Opening net carrying amount as at 1 January 2015	**466**	**81,024**	**39,618**	**34,402**	**8,000**	**22,186**	**185,696**
Additions	**20,676**	**–**	**–**	**7,851**	**3,384**	**9,575**	**41,486**
Transfers upon completion	**(18,294)**	**755**	**17,286**	**67**	**–**	**186**	**–**
Disposals	**–**	**(213)**	**(7,243)**	**(1,015)**	**(632)**	**(289)**	**(9,392)**
Depreciation charge for the year	**–**	**(3,946)**	**(10,373)**	**(12,736)**	**(3,328)**	**(8,861)**	**(39,244)**
Exchange realignment	**–**	**(697)**	**(256)**	**(102)**	**–**	**(111)**	**(1,166)**
Closing net carrying amount as at 31 December 2015	**2,848**	**76,923**	**39,032**	**28,467**	**7,424**	**22,686**	**177,380**

	Construction in progress RMB'000	Freehold land and buildings RMB'000	Leasehold Impr-ovements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment, furniture and fixtures RMB'000	Total RMB'000
Opening net carrying amount as at 1 January 2014	189	85,189	53,198	42,231	10,158	29,883	220,848
Additions	10,348	–	2,582	6,308	1,749	1,123	22,110
Transfers upon completion	(779)	–	710	69	–	–	–
Disposals	(9,292)	–	(2,954)	(881)	(312)	(287)	(13,726)
Disposals of a subsidiary	–	–	(814)	–	(331)	(745)	(1,890)
Depreciation charge for the year	–	(3,989)	(12,586)	(13,884)	(3,265)	(8,096)	(41,820)
Write-off of impairment	–	–	–	650	1	355	1,006
Exchange realignment	–	(176)	(518)	(91)	–	(47)	(832)
Closing net carrying amount as at 31 December 2014	466	81,024	39,618	34,402	8,000	22,186	185,696

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Construction in progress RMB'000	Freehold land and buildings RMB'000	Leasehold Impr-ovements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment, furniture and fixtures RMB'000	Total RMB'000
At 31 December 2015:							
Cost	**2,848**	**104,826**	**105,887**	**126,791**	**23,560**	**83,744**	**447,656**
Accumulated depreciation and impairment	**–**	**(27,903)**	**(66,855)**	**(98,324)**	**(16,136)**	**(61,058)**	**(270,276)**
	2,848	**76,923**	**39,032**	**28,467**	**7,424**	**22,686**	**177,380**

	Construction in progress RMB'000	Freehold land and buildings RMB'000	Leasehold Impr-ovements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment, furniture and fixtures RMB'000	Total RMB'000
At 31 December 2014:							
Cost	466	104,981	98,165	121,905	23,212	76,310	425,039
Accumulated depreciation and impairment	–	(23,957)	(58,547)	(87,503)	(15,212)	(54,124)	(239,343)
	466	81,024	39,618	34,402	8,000	22,186	185,696

Freehold land and buildings of the Group are located outside Hong Kong. Certain freehold land and buildings of the Group were pledged to secure the bank borrowings of the Group as detailed in Note 25.

16 LEASEHOLD LAND AND LAND USE RIGHTS

	2015 RMB'000	2014 RMB'000
Net carrying amount:		
At 1 January	**32,324**	41,793
Amortisation charge for the year	**(1,035)**	(1,260)
Disposal	**–**	(8,209)
At 31 December	**31,289**	32,324
Cost	**37,801**	37,801
Accumulated amortisation	**(6,512)**	(5,477)
Net carrying amount	**31,289**	32,324

The Group's interests in leasehold land and land use rights were held outside Hong Kong under medium term leases.

Certain leasehold land and land use rights of the Group were pledged to secure the bank borrowings of the Group as detailed in Note 25.

17 INVESTMENT PROPERTIES

	Note	2015 RMB'000	2014 RMB'000
Fair value:			
At 1 January		**42,033**	47,958
Change in fair value	*7*	**742**	1,075
Disposal		**–**	(7,000)
At 31 December		**42,775**	42,033

All investment properties of the Group are located outside Hong Kong, of which investment properties of RMB14,790,000 (2014: RMB14,634,000) and RMB27,985,000 (2014: RMB27,399,000) are held under long and medium terms respectively.

17 INVESTMENT PROPERTIES (Continued)

As at 31 December 2015, the investment properties were revalued at RMB42,775,000 (2014: RMB42,033,000) by Shanghai Wan Long Real Estate Appraisal Co.,Ltd., an independent firm of professionally qualified valuers recognised by the relevant PRC association of valuers with recent experience in the location and category of property being valued, on the following basis.

The valuation was arrived of by reference to (i) market evidence of transaction price for similar properties, (ii) current rent of properties being held under existing tenancies and the reversionary income potential of tenancies, and (iii) the value of the land, together with the replacement costs of industrial buildings.

Details of the property rental income earned by the Group from its investment properties, all of which are leased out under operating leases, are set out in Notes 7 and 32.

Certain investment properties were pledged to secure the bank borrowings of the Group as detailed in Note 25.

18 GOODWILL

	2015 **RMB'000**	2014 RMB'000
Net carrying amount:		
At 1 January	**146,256**	146,256
Impairment	**(28,003)**	–
At 31 December	**118,253**	146,256

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill is allocated as follows:

	31 December **2015** **RMB'000**	31 December 2014 RMB'000
Provision of automobile repair, maintenance and restyling services:		
Changchun Guangda Automobile Trading Co., Ltd	**74,334**	102,337
Beijing Aiyihang Auto Services Ltd.	**43,919**	43,919
	118,253	146,256

(Expressed in Renminbi unless otherwise indicated)

18 GOODWILL *(Continued)*

The recoverable amount of the CGU is determined based on value-in-use calculations. All the calculations of recoverable amounts use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates of 3% (2014: 3%). The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations are as follows:

	31 December 2015 %	31 December 2014 %
Gross margin	**25-40**	30-45
Growth rate within the forecast period	**4-17**	4-17
Discount rate	**15**	15

Management determined the budgeted gross margin based on past performance and its expectation for market development. The weighted average growth rate used is consistent with the forecasts generally adopted in the respective industries. The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

The Group had originally anticipated that there would be significant growths of revenue and profitability of certain CGU at the respective dates of acquisition. However, in the current year, the growth rates of revenue and profitability of the CGU had been lower than expected. The directors of the Company are of the opinion, based on value-in-use calculations, that goodwill associated with certain CGU above was impaired by RMB28,003,000 (2014: Nil) in order to state the carrying values to their recoverable amounts as at the end of reporting period.

19 OTHER INTANGIBLE ASSETS

	Trademarks RMB'000	Tradenames RMB'000	Technical know-how RMB'000	Total RMB'000
At 1 January 2014	47,919	1,084	–	49,003
Disposal of a subsidiary	–	(1,084)	–	(1,084)
At 31 December 2014 and 1 January 2015	47,919	–	–	47,919
Additions	4	–	–	4
At 31 December 2015	47,923	–	–	47,923
At 31 December 2015:				
Cost	335,058	13,068	4,646	352,772
Accumulated amortisation and impairment	(287,135)	(13,068)	(4,646)	(304,849)
Net carrying amount	47,923	–	–	47,923
At 31 December 2014:				
Cost	335,054	13,068	4,646	352,768
Accumulated amortisation and impairment	(287,135)	(13,068)	(4,646)	(304,849)
Net carrying amount	**47,919**	**–**	**–**	**47,919**

Included in the above intangible assets as at 31 December 2015 are (i) certain trademarks, (ii) tradenames with indefinite useful lives and (iii) technical know-how which are attributable to the same CGUs with which the goodwill amounts are recognised. Details of the impairment assessment of the CGUs are set out in Note 18.

As at end of reporting period, trademarks with cost of RMB335,058,000 (2014: RMB335,054,000) have indefinite useful lives as they are considered renewable at minimal costs. Management of the Group are of the opinion that the Group would renew the trademarks continuously and has the ability to do so.

(Expressed in Renminbi unless otherwise indicated)

20 INTERESTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2015 are as follows:

Company name	Country/place and date of incorporation/ establishment	Legal form of entities for those established in the PRC	Registered capital/ share capital	Issued and fully paid up capital	Percentage of attributable equity interest	Principal activities/place of operation
Interests directly held:						
Perfect Progress Investments Limited ("Perfect Progress")	The British Virgin Islands 8 April 2002	–	US$50,000 Ordinary shares	US$500	100%	Investment holding Hong Kong
New Focus Auto Tech International Limited	The British Virgin Islands 2 April 2007	–	US$1 Registered capital	US$1	100%	Investment holding Hong Kong
Interests indirectly held:						
New Focus Lighting and Power Technology (Shanghai) Co., Ltd. ("New Focus Lighting & Power")	The PRC 24 April 2001	Wholly-owned foreign enterprise	US$67,800,000 Registered capital	US$67,800,000	100%	Manufacture and sale of automobile accessories The PRC
Shanghai New Focus Auto Repair Service Co., Ltd.	The PRC 21 December 2000	Limited liability company	RMB83,500,000 Registered capital	RMB83,500,000	100%	Automobile repair, maintenance and restyling services; sales trading of automobile products The PRC
Liaoning Xin Tian Cheng Industrial Co., Limited	The PRC 8 January 2009	Limited liability company	RMB20,000,000 Registered capital	RMB20,000,000	51%	Trading of automobile products The PRC
New Focus Richahaus Co. Ltd. ("New Focus Richahaus")	Taiwan 15 September 2006	–	NTD202,574,000 Share capital	NTD202,574,000	100%	Automobile repair maintenance and restyling services; sales of automobile products Taiwan
Shandong New Focus Longsheng Auto Parts Co. Ltd.	The PRC 26 April 2006	Limited liability company	US$4,012,700 Registered Capital	US$4,012,700	59%	Manufacture and sale of automobile accessories The PRC
Beijing Aiyihang Auto Service Ltd.	The PRC September 1997	Limited liability company	RMB38,500,000 Registered capital	RMB38,500,000	60%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC

(Expressed in Renminbi unless otherwise indicated)

20 INTERESTS IN SUBSIDIARIES *(Continued)*

Company name	Country/place and date of incorporation/ establishment	Legal form of entities for those established in the PRC	Registered capital/ share capital	Issued and fully paid up capital	Percentage of attributable equity interest	Principal activities/place of operation
Shenzhen Yonglonghang Auto Service Ltd. ("ShenzhenYonglonghang")	The PRC June 2002	Limited liability company	RMB41,000,000 Registered capital	RMB41,000,000	100%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC
Zhejiang Autoboom Industrial Co., Limited	The PRC December 2008	Limited liability company	RMB28,000,000 Registered capital	RMB28,000,000	51%	Trading of automobile products The PRC
Shanghai AstraceTrade Development Co., Limited ("Shanghai Astrace")	The PRC 11 August 2003	Limited liability company	RMB12,000,000 Registered capital	RMB12,000,000	51%	Trading of automobile products The PRC
New Focus Auto Tech Inc.	United States of America ("USA") 24 November 2009	–	US$100,000 Registered capital	US$100,000	100%	Investment holding USA
IPO Automotive Corporation Limited ("IPO Automotive")	Taiwan 8 June 2012	–	NTD40,000,000 Share capital	NTD40,000,000	100%	Automobile repair maintenance and restyling services; sales of automobile products Taiwan
Changchun Guangda Automobile Trading Co., Ltd. ("Changchun Guangda")	The PRC 31 January 2002	Limited liability company	RMB47,800,000 Registered capital	RMB47,800,000	61%	Automobile repair, maintenance and restyling services; sales of automobile products The PRC

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.

The following table listed out the information relating to Liaoning Xin Tian Cheng Industrial Co., Limited Beijing Aiyihang Auto Service Ltd. and Changchun Guangda Automobile Trading Co., Ltd., the three subsidiaries of the Group which have a material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

20 INTERESTS IN SUBSIDIARIES *(Continued)*

Liaoning Xin Tian Cheng Industrial Co., Limited

	2015	2014
	RMB'000	RMB'000
NCI percentage	**49%**	49%
Current assets	**54,682**	65,904
Non-current assets	**4,480**	1,597
Current liabilities	**(25,914)**	(29,613)
Non-current liabilities	**(348)**	(348)
Net assets	**32,900**	37,540
Carrying amount of NCI	**16,121**	18,395
Revenue	**186,195**	179,569
Loss for the year	**(4,640)**	(2,682)
Total comprehensive income	**(4,640)**	(2,682)
Profit allocated to NCI	**(2,274)**	(1,314)
Dividend paid to NCI	**–**	–
Cash flows from operating activities	**(1,101)**	3,210
Cash flows from investing activities	**(2,877)**	(530)
Cash flows from financing activities	**–**	–

20 INTERESTS IN SUBSIDIARIES (Continued)

Beijing Aiyihang Auto Service Ltd.

	2015	2014
	RMB'000	RMB'000
NCI percentage	**40%**	40%
Current assets	**103,617**	100,066
Non-current assets	**64,343**	53,416
Current liabilities	**(121,469)**	(89,578)
Non-current liabilities	**–**	–
Net assets contributable to the subsidiary	**46,491**	63,904
– Equity contributed to equity shareholder of the subsidiary	**46,077**	63,904
– Equity contributed to the NCI at the subsidiary level	**414**	–
Carrying amount of NCI	**18,845**	25,562
Revenue	**207,072**	226,818
(Loss)/profit for the year	**(18,563)**	5,574
Total comprehensive income	**(18,563)**	5,574
(Loss)/profit allocated to NCI	**(7,911)**	2,230
Dividend paid to NCI	**–**	–
Cash flows from operating activities	**6,409**	16,256
Cash flows from investing activities	**(23,605)**	(5,476)
Cash flows from financing activities	**10,000**	–

20 INTERESTS IN SUBSIDIARIES *(Continued)*

Changchun Guangda Automobile Trading Automobile Trading Co., Ltd.

	2015 RMB'000	2014 RMB'000
NCI percentage	**39%***	49%
Current assets	**28,784**	43,485
Non-current assets	**89,854**	77,817
Current liabilities	**(17,334)**	(19,039)
Non-current liabilities	**(10,798)**	(10,798)
Net assets	**90,506**	91,465
Carrying amount of NCI	**34,623**	44,144
Revenue	**84,485**	102,456
(Loss)/profit for the year	**(959)**	10,344
Total comprehensive income	**(959)**	10,344
(Loss)/profit allocated to NCI	**(470)**	5,069
Dividend paid to NCI	**–**	(13,388)
Cash flows from operating activities	**4,232**	18,950
Cash flows from investing activities	**(16,878)**	294
Cash flows from financing activities	**–**	(27,321)

* 10% shares of Changchun Guangda was transferred to the Group as at 31 December 2015, details are included in Note 33 (a)(ii).

21 INTEREST IN AN ASSOCIATE

The following list contains the particulars of an associate of the Group, of which is unlisted corporate entity whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Registered and paid up capital	Group's effective interest	Held by the company	Held by a subsidiary	Principal activity
Huebi Aiyihang Auto Service Ltd.	Incorporated	The PRC	RMB30,000,000/ RMB20,000,000	40%	–	40%	Automobile repair, maintenance and restyling service; sales of automobile products

21 INTEREST IN AN ASSOCIATE *(Continued)*

Information of the associate that is not individually material:

	2015 RMB'000	2014 RMB'000
Carrying amount of the individually immaterial associate in the consolidated financial statements	**6,121**	–
Aggregate amount of the Group's share of the associate's loss from continuing operation	**5,879**	–
Total comprehensive income	**5,879**	–

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Note	2015 RMB'000	2014 RMB'000
Money market fund	*37(b)*	**42,383**	–
Wealth management products	*37(b)*	**11,000**	–
		53,383	–

Available-for-sale financial assets comprises of the money market fund and wealth management products, which are the highly liquid investments with floating interest.

23 INVENTORIES

	31 December 2015 RMB'000	31 December 2014 RMB'000
Raw materials	**19,387**	31,087
Work-in-progress	**9,278**	14,225
Finished goods	**15,189**	14,763
Merchandise goods	**152,289**	154,571
	196,143	214,646

24 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(a) Trade receivables

	31 December 2015 RMB'000	31 December 2014 RMB'000
Trade receivables	**154,557**	156,395
Less: allowance for doubtful debts	**(23,815)**	(25,039)
	130,742	131,356

(i) The average credit period to the Group's trade debtors is 30 days.

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

	Note	31 December 2015 RMB'000	31 December 2014 RMB'000
At beginning of year		**25,039**	23,167
Additional allowance for the year	*9*	**–**	1,872
Uncollectible amounts written off		**(1,224)**	–
At end of year		**23,815**	25,039

As at 31 December 2015, the Group's trade receivables of RMB33,831,000 (2014: RMB35,876,000) were individually determined to be fully or partially impaired. Such trade receivables related to customers that were in financial difficulties or had a prolonged delay in settlement, and management assessed that none or only a portion of the receivables is expected to be recovered. Consequently, an accumulated allowance for doubtful debts of RMB23,815,000 (2014: RMB25,039,000) is made as at 31 December 2015. The Group does not hold any collateral over these balances.

Except for the above, no allowance has been made for estimated irrecoverable amounts from the sale of goods and provision of services.

24 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

(iii) The ageing analysis of trade receivables at the end of reporting period by invoice date is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Current to 30 days	**61,605**	61,909
31 to 60 days	**43,761**	43,228
61 to 90 days	**13,369**	12,579
Over 90 days	**35,822**	38,679
	154,557	156,395
Less: allowance for doubtful debts	**(23,815)**	(25,039)
	130,742	131,356

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Neither past due nor impaired	**93,091**	96,054
Less than 1 month past due	**23,865**	18,027
1 to 2 months past due	**3,770**	6,438
	27,635	24,465
	120,726	120,519

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

24 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

(iv) *(Continued)*

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

(b) Deposits, prepayments and other receivables

	31 December 2015 RMB'000	31 December 2014 RMB'000
Deposits and prepayments	**49,178**	49,064
Advances to employees	**9,510**	11,055
Value-added tax recoverable	**7,068**	10,724
Loans to and interest receivable from Shenzhen Jiahong	**259,765**	100,000
Receivables from disposal of property, plant and equipment	**–**	17,038
Others	**15,758**	15,149
	341,279	203,030
Less: allowance for doubtful debts	**(5,550)**	(3,412)
	335,729	199,618

Included in the Group's deposits, prepayments and other receivables are loans to Shenzhen Jiahong Trading Development Co.,Ltd. ("Shenzhen Jiahong") of RMB250,000,000 and relevant interest receivable of RMB9,765,000 as at 31 December 2015 (2014: RMB100,000,000).

24 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(b) Deposits, prepayments and other receivables *(Continued)*

Following the entrusted loan of RMB100,000,000 provided to Shenzhen Jiahong on 29 December 2014 (the "First Entrusted Loan"), the Company, through its subsidiary, New Focus Lighting & Power, provided further loans of RMB190,000,000 to Shenzhen Jiahong during 2015, among which RMB30,000,000 was treated as performance security to Shenzhen Jiahong in connection with a master purchase agreement.

All the loans and performance security are subject to an annual interest of 12% and due on or before 31 December 2015, except the performance security which is expected to be due in April 2016. Such loans are:

- guaranteed by each of the two shareholders of Shenzhen Jiahong as sureties who collectively owned 85% equity interest in Shenzhen Jiahong as at 31 December 2015;
- guaranteed by a subsidiary wholly owned by Shenzhen Jiahong as surety;
- pledged by 100% of shares in each of the two subsidiaries wholly owned by Shenzhen Jiahong; and
- pledged by 30% of shares in a mineral company which was indirectly owned as to 80% by one of the two shareholders of Shenzhen Jiahong.

On 31 December 2015, Shenzhen Jiahong partially repaid RMB40,000,000 of the First Entrusted Loan, the term of the remaining outstanding amount of RMB60,000,000 of the First Entrusted Loan has been extended to 31 March 2016.

Shenzhen Jiahong used to be a potential acquisition target of the Company, as at the date of the annual report, the acquisition has not been completed and the Directors has not decided whether to proceed with the acquisition.

The Directors expect that all the loans and interest receivable will be collected before the end of August 2016.

25 BANK BORROWINGS, SECURED

	31 December 2015 RMB'000	31 December 2014 RMB'000
Bank loans	**224,245**	161,829
Bank borrowings are repayable as follows:		
On demand or within one year	**216,325**	152,620
After one year but within two years	**1,362**	1,482
After two years but within five years	**2,509**	2,944
After five years	**4,049**	4,783
	224,245	161,829
Amount due within one year included in current liabilities	**(216,325)**	(152,620)
Amount included in non-current liabilities	**7,920**	9,209

As at 31 December 2015 and 2014, the banking facilities are secured by (i) the Group's certain freehold land and buildings with an aggregate net carrying amount of RMB69,609,000 (2014: RMB72,334,000); (ii) the Group's certain leasehold land and land use rights of RMB16,144,000 (2014: RMB16,604,000); (iii) the Group's certain investment properties of RMB42,775,000 (2014: RMB42,033,000); (iv) personal guarantees from a director of the Company and a director of a subsidiary, and their spouses; (v) pledged time deposits of RMB2,365,000 (2014: RMB1,673,000); and (vi) corporate guarantees provided by the Company and its subsidiaries.

Most of the bank loans bear fixed interest rates ranging from 1.99% to 6.42% per annum (2014: 1.99% to 6.6% per annum).

	31 December 2015 RMB'000	31 December 2014 RMB'000
Bank borrowings of the Group were denominated in RMB	**157,282**	98,570
United States dollars ("US$")	**38,962**	37,224
Taiwan dollars ("NTD")	**28,001**	26,035
	224,245	161,829

26 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

(a) Trade payables

The ageing analysis of trade payables of the Group at the end of reporting period by invoice date is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Current to 30 days	**59,024**	74,669
31 to 60 days	**60,496**	63,987
61 to 90 days	**14,879**	18,552
Over 90 days	**37,158**	33,237
	171,557	190,445

The average credit period for the Group's trade creditors is 60 days.

(b) Accruals and other payables

	31 December 2015 RMB'000	31 December 2014 RMB'000
Receipts in advance	**69,816**	59,533
Payroll payable	**28,929**	24,844
Other taxation payable	**5,367**	8,899
Others	**54,129**	41,363
	158,241	134,639

27 CONVERTIBLE BONDS

The analysis of the carrying amount of convertible bonds is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Host contract	**150,450**	134,755
Conversion option	**5,869**	–
	156,319	134,755

(Expressed in Renminbi unless otherwise indicated)

27 CONVERTIBLE BONDS *(Continued)*

	CDH CBs	Haitong CBs	Total
Face value of convertible bonds upon issuance, net of issuance cost	292,720	152,677	
Equity component	(57,775)	–	
Liability component on initial recognition	234,945	152,677	
Liability component at 1 January 2014	239,526	–	239,526
Imputed interest expenses	17,536	–	17,536
Conversion of convertible bonds	(127,527)	–	(127,527)
Exchange realignment	5,220	–	5,220
Liability component at 31 December 2014 and 1 January 2015	134,755	–	134,755
Issuance of convertible bonds	–	152,677	152,677
Imputed interest expenses	14,110	13,085	27,195
Conversion of convertible bonds	(155,095)	–	(155,095)
Fair value change of conversion option *(Note 37(b))*	–	(19,330)	(19,330)
Exchange realignment	6,230	9,887	16,117
Liability component at 31 December 2015	–	156,319	156,319
Representing			
Host contract	–	150,450	150,450
Conversion option *(Note 37(b)*	–	5,869	5,869

CDH CBs

In August 2013, the Company issued redeemable convertible bonds (the "CDH CBs") in the principal amount of US$48,685,000 (equivalent to RMB300,226,000) to CDH Fast Two Limited. The net proceeds of the CDH CBs available to the Group was RMB292,720,000, after net-off of issuance costs of RMB7,506,000. The coupon interest rate of CDH CBs is 5%. The maturity date of the CDH CBs will be the date falling on the fifth anniversary of the issue date (i.e. August 2018) and the CDH CBs can be converted into ordinary shares of the Company at the holder's option at initial conversion price of HK$0.2328 per share, subject to certain anti-dilutive adjustments.

27 CONVERTIBLE BONDS *(Continued)*

CDH CBs *(Continued)*

The fair value of the liability component of the CDH CBs upon issuance is calculated by computing the present value of all future cash flows discounted by the prevailing market rate of interest for non-convertible borrowing of 9.72% per annum based on a professional valuation report issued by RHL Appraisal Limited, an independent firm of professionally qualified valuers. The residual amount, representing the value of the equity component, is included in convertible bonds reserve under shareholders' equity. The initially recognised liability component and equity component of the CDH CBs amounted to RMB234,945,000 and RMB57,775,000 respectively after net-off of the issuance costs on a pro-rata basis.

On 12 June 2014, the Group partially converted CDH CBs in the principal amount of US$24,342,500. The Group allotted and issued a total of 813,507,946 shares to CDH Fast Two Limited at the conversion price of HK$0.2328. Upon the conversion, the Company derecognised the liability component of RMB127,527,000 and transferred this amount with equity component (convertible bonds reserve) of RMB28,887,000 into share capital and share premium with the amount of RMB65,227,000 and RMB91,187,000 respectively, using the method consistent with that used initially to allocate the net proceeds on the CDH CBs issuance date.

On 25 December 2015, the Group converted all the remaining CDH CBs in the principal amount of US$24,342,500. The Group allotted and issued a total of 813,507,947 shares to CDH Fast Two Limited at the conversion price of HK$0.2328. Upon the conversion, the Company derecognised the liability component of RMB155,095,000 and transferred this amount with equity component (convertible bonds reserve) of RMB28,888,000 in to share capital and share premium with the amount of RMB68,090,000 and RMB115,892,000 respectively.

Haitong CBs

In July 2015, the Company issued redeemable convertible bonds (the "Haitong CBs") in the principal amount of US$25,000,000 (equivalent to RMB152,832,500) to Haitong International Financial Products Limited. The net proceeds of the Haitong CBs available to the Group was RMB152,676,500, after net-off of issuance costs of RMB156,000. The coupon interest rate of Haitong CBs is 6%, payable semi-annually in arrears on 13 January and 13 July in each year. The maturity date of the Haitong CBs will be the second anniversary of the issue date (i.e. July 2017) and the Haitong CBs can be converted into ordinary shares of the Company at the holder's option at initial conversion price of HK$3.00 per share, subject to certain adjustments.

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem the bond at the price equal to outstanding principal amount being redeemed plus premium compounded at 12% from the issue date to the redemption date, minus interests accrued and paid at the rate of 6% on the maturity date (the "Redemption Amount").

At any time after 13 January 2016 and prior to the maturity date, the bondholder will have the right, at such holder's option, to require the Company to redeem all or part of the convertible bond at the Redemption Amount.

27 CONVERTIBLE BONDS *(Continued)*

Haitong CBs *(Continued)*

If the shares are no longer listed or traded in Stock Exchange or there is a change of control, bondholders can redeem all Haitong CBs at the Redemption Amount.

The fair value of the conversion option of the Haitong CBs upon issuance is calculated by binominal model based on a professional valuation report issued by RHL Appraisal Limited, an independent firm of professionally qualified valuers, and is treated as a derivative financial liability. The residual amount, representing the value of the host contract, is classified as other financial liability. The initially recognised derivative and host contract of the Haitong CBs amounted to RMB23,723,000 and RMB128,954,000 respectively after net-off of the issuance costs. As at 31 December 2015, the fair value of coversion option is RMB5,869,000, of which changes on fair value of RMB19,330,000 has been recognised in profit or loss.

28 DEFERRED TAX

The movements in deferred tax assets/(liabilities) are as follows:

Deferred tax assets

	Tax losses RMB'000	Accrued expenses RMB'000	Deferred income RMB'000	Allowances and provisions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	1,528	2,780	6,377	4,522	32	15,239
Recognised in profit or loss *(Note 11)*	(441)	(54)	2,535	(1,573)	–	467
Exchange realignment	(32)	(2)	–	(19)	–	(53)
At 31 December 2014 and 1 January 2015	1,055	2,724	8,912	2,930	32	15,653
Recognised in profit or loss *(Note 11)*	3,120	351	3,174	(1,083)	(32)	5,530
Exchange realignment	7	1	–	5	–	13
At 31 December 2015	4,182	3,076	12,086	1,852	–	21,196

Deferred tax assets have been recognised in respect of the above item as the directors, in their opinion, consider it is probable that taxable profits will be available and the above item can be utilised.

28 DEFERRED TAX *(Continued)*

As at 31 December 2015, the Group had unrecognised tax losses carried forward of RMB268,165,000 (2014: RMB217,896,000) as the directors are of the view that it was not probable that such benefit of tax losses would be realised before they expire. The years of expiry of the tax losses unrecognised is as below:

	2015	2014
	RMB'000	RMB'000
Year of expiry of PRC entities		
2015	**–**	454
2016	**277**	277
2017	**34,259**	34,259
2018	**110,469**	119,601
2019	**40,876**	40,876
2020	**50,130**	–
	236,011	195,467

	2015	2014
	RMB'000	RMB'000
Year of expiry of Taiwan entities		
2023	**22,429**	22,429
2024	**–**	–
2025	**9,725**	–
	32,154	22,429

28 DEFERRED TAX *(Continued)*

Deferred tax liabilities:

	Other intangible assets RMB'000	Fair value gain on investment properties RMB'000	Fair value change on available-for-sale financial assets RMB'000	Accrued subsidy income RMB'000	Total RMB'000
At 1 January 2014	(13,075)	(9,824)	–	(192)	(23,091)
Recognised in profit or loss *(Note 11)*	832	2,006	–	(212)	2,626
Disposal of a subsidiary	272	–	–	–	272
Recognised in equity	–	335	–	–	335
Exchange realignment	–	–	–	6	6
At 31 December 2014 and 1 January 2015	(11,971)	(7,483)	–	(398)	(19,852)
Recognised in profit or loss *(Note 11)*	–	(246)	–	206	(40)
Recognised in equity	–	–	(56)	–	(56)
At 31 December 2015	(11,971)	(7,729)	(56)	(192)	(19,948)

The above recognised deferred tax assets and liabilities cannot be set off.

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

No deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised was approximately RMB15,645,000 as at 31 December 2015 (2014: RMB12,762,000).

29 SHARE CAPITAL

	2015		2014	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000**	**1,000,000**	6,000,000	600,000

	2015			2014		
	Number of shares '000	**Amount HK$'000**	**Amount RMB'000**	Number of shares '000	Amount HK$'000	Amount RMB'000
Issued and fully paid:						
At beginning of year	**3,761,165**	**376,117**	**307,931**	2,947,657	294,766	242,704
Conversion of convertible bonds	**813,508**	**81,351**	**68,090**	813,508	81,351	65,227
Shares issued under share option scheme	**1,333**	**133**	**112**	–	–	–
At end of year	**4,576,006**	**457,601**	**376,133**	3,761,165	376,117	307,931

30 RESERVES

(i) Reserves of the Group

(a) *Share premium*

The balance represents the excess of consideration received for issue of shares over the corresponding par value of the issued shares. The application of the share premium account is governed by the applicable laws of the Cayman Islands.

(b) *Statutory reserve fund*

The Group's wholly-owned-foreign subsidiaries established in the PRC are required to transfer no less than 10% of the profit after taxation, as determined in accordance with the applicable PRC accounting standards, to statutory reserve fund until the fund aggregates to 50% of their respective registered capital.

The statutory reserve fund can only be used, upon approval by the respective board of directors, to offset accumulated losses or increase capital.

30 RESERVES *(Continued)*

(i) Reserves of the Group *(Continued)*

(c) Enterprise expansion fund

In accordance with the Law of the People's Republic of China on Chinese-foreign Equity Joint Venture and the articles of association of a subsidiary, a subsidiary shall appropriate 5% of its annual statutory net profit (after offsetting any prior years' losses) to enterprise expansion fund.

(d) Others

Others comprise the share option reserve, property revaluation reserve and fair value reserve.

The share options reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company and other parties recognised in accordance with the accounting policy in Note 4(u).

The property revaluation reserve represents the gains/losses arising on the revaluation of property (other than investment property). The balance on this reserve is wholly undistributable.

The fair value reserve represents the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 4(l).

(e) Capital redemption reserve

Capital redemption reserve occurs when shares of a company are redeemed or purchased wholly out of the company's profits, the amount by which the company's issued share capital is diminished on cancellation of the shares redeemed or purchased, shall be transferred to the capital redemption reserve.

If the shares are redeemed or purchased wholly or partly out of the proceeds of a fresh issue, and the aggregate amount of those proceeds is less than the aggregate nominal value, the amount of the difference shall be transferred to the capital redemption reserve.

(f) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy in Note 4(s).

(g) Convertible bonds reserve

The balance represents the equity component of outstanding convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in Note 4(m).

30 RESERVES (Continued)

(ii) Reserves of the Company

	Note	Share premium RMB'000	Contributed surplus RMB'000	Convertible bonds reserve RMB'000	Others RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2014		668,949	84,242	57,775	2,208	6,894	(526,461)	293,607
Total comprehensive income for the year		–	–	–	–	(5,134)	(70,343)	(75,477)
Recognition of equity-settled share-based payments	34	–	–	–	2,243	–	–	2,243
Conversion of convertible bonds	27	91,187	–	(28,887)	–	–	–	62,300
At 31 December 2014 and 1 January 2015		760,136	84,242	28,888	4,451	1,760	(596,804)	282,673
Total comprehensive income for the year		–	–	–	–	(16,117)	(71,089)	(87,206)
Recognition of equity-settled share-based payments	34	–	–	–	9,246	–	–	9,246
Conversion of convertible bonds	27	115,892	–	(28,888)	–	–	–	87,004
Shares issued under share option scheme		664	–	–	(227)	–	–	437
At 31 December 2015		876,692	84,242	–	13,470	(14,357)	(667,893)	292,154

(iii) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the Companies Law of the Cayman Islands, was RMB278,684,000 (2014: RMB249,334,000).

31 CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

Cash at banks earns interest at floating rates based on daily bank deposit rates and are deposited with creditworthy financial institutions with no recent history of default.

Pledged time deposits can be analysed as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Guarantee deposits for issuance of bank acceptance	**4,538**	4,539
Guarantee deposits for bank loans	**2,365**	1,673
	6,903	6,212

The bank deposits, which are denominated in RMB, are pledged to secure certain foreign currency bank loans of the Group totalling RMB2,365,000 (2014: RMB1,673,000).

32 COMMITMENTS

(a) Capital commitments

As at the end of the reporting period, capital commitments not provided for in the financial statements were as follows:

	2015 RMB'000	2014 RMB'000
Authorised but not contracted for	**62,144**	–

32 COMMITMENTS *(Continued)*

(b) Operating lease commitments

As at the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payables as follows:

As leasee

	2015 RMB'000	2014 RMB'000
Within 1 year	**53,116**	51,868
Over 1 year but within 5 years	**131,091**	134,604
Over 5 years	**43,824**	29,828
	228,031	216,300

As lessor

As at 31 December 2015 and 2014, the Group leased out its investment property under operating leases. As at the end of the reporting period, the total future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year	**2,667**	2,454
Over 1 year but within 5 years	**8,105**	4,044
Over 5 years	**9,378**	3,550
	20,150	10,048

33 RELATED PARTIES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation in full and are not disclosed in this note. Except for disclosed elsewhere in the notes to financial statements, details of transactions between the Group and other related parties are disclosed below.

(a) Transactions with related parties

(i) During the year and in the ordinary course of business, the Group has the following material transactions with related companies which are not member of the Group:

	2015	2014
	RMB'000	RMB'000
Sales of goods to Auto Make ("Auto Make")	**6,046**	8,567

Sales of goods were made at the Group's usual list prices discounted to reflect the quantity of purchase and the relationship between the parties.

The equity interest of Auto Make are held by Tong Yan and Li Hai Peng who are non-controlling owners of a subsidiary of the Group as at the end of the reporting period.

(ii) On 28 January 2014, the Group entered into a supplemental agreement with Ms. Gao Xiumin ("Ms. Gao"), the non-controlling interest holder and director of Changchun Guangda, pursuant to the acquisition agreement for 51% of equity interest of Changchun Guangda on 17 July 2012 with Ms. Gao as the vendor, to amend the payment terms on the outstanding payable of RMB66,300,000 and include additional guarantee of future performance of Changchun Guangda for 2014 by the vendor as follows:

- RMB46,300,000 by way of cash on the completion of industry and commerce registration in relation to the transfer of 10% of equity interest in Changchun Guangda held by the vendor as collateral;

- RMB20,000,000 by way of cash after the issue of audited report of 2014 if it determines that the audited net profit after taxation of 2014 of Changchun Guangda reaches RMB26,000,000. The Company will not need to pay such RMB20,000,000 if Changchun Guangda fails to reach the profits target; and

- The Company will acquire the equity interest of 10% as collateral for free provided that the audited net profit after taxation of 2015 of Changchun Guangda falls below RMB26,000,000.

33 RELATED PARTIES *(Continued)*

(a) Transactions with related parties *(Continued)*

(ii) *(Continued)*

As the audited net profit after taxation of Changchun Guangda for the year ended 31 December 2014 failed to reach the profit target of RMB26,000,000, the Company would not pay the remaining consideration of RMB20,000,000 and thereafter, recognised it as other gain in the consolidated profit or loss of the Company for year ended 31 December 2014.

As at 31 December 2015, the audited net profit after taxation of Changchun Guangda did not reach the profit target of RMB26,000,000 either, the Company obtained the 10% of equity interest of Changchun Guangda as collateral at no consideration. Such change in the Company's ownership interest in Changchun Guangda was treated as an equity transaction and recognised in other reserves.

(iii) At the end of 2015, a non-controlling owner of a subsidiary granted the subsidiary collateral of creditor amounting to RMB3,603,000 (2014 RMB6,121,000) with his own properties.

(iv) During the year, Beijing Aiyihang provided loans of RMB6,991,000 to Hubei Aiyihang Auto Service Ltd. The loans are unsecured, interest free and with no maturity.

(v) Transaction with key management personnel
Members of key management during the year comprised only the executive directors and non-executive directors whose remuneration is set out in Note 10(a).

As at 31 December 2015, one of the directors, Mr. Ying Wei, provided guarantee, together with other guarantees to bank loans with total amount of NTD139,884,000 (Note 25) (2014: NTD131,160,000).

(vi) Applicability of the Listing Rules relating to connected transactions
The related party transactions included in (i), (ii), (iii), (iv) and (v) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are either below the de minimis threshold under Rule 14A.76(1) or meeting the exemption criterion for financial assistance received by the listed issuer's group under Rule 14A.90.

33 RELATED PARTIES *(Continued)*

(b) Amounts due from related parties

As at the end of the reporting period, the Group had the following material account receivable balance with its related parties:

	2015 RMB'000	2014 RMB'000
Auto Make	**2,663**	2,903
Hubei Aiyihang Auto Service Ltd. *(Note 33(a)(iv))*	**6,991**	–
Shenyang Xunchi Auto Service Ltd.	**885**	–
Others	**55**	283
	10,594	3,186

The highest amount due from Auto Make during 2015 reached RMB2,663,000 (2014: RMB3,571,000).

The highest amount due from Hubei Aiyihang Auto Service Ltd. during 2015 reached RMB6,991,000 (2014: Nil).

(c) Immediate and ultimate controlling parties

At 31 December 2015, the directors consider the immediate parent and ultimate controlling parties of the Group to be CDH Fast Two Limited and China Diamond Holdings Company Limited respectively, both of which are incorporated in British Virgin Islands. These entities do not produce financial statements available for public use.

34 EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted a new share option scheme ("New Scheme") by a resolution of the shareholders passed on 25 June 2014 and terminated on the same date the share option scheme ("Old Scheme") adopted by the Company on 13 February 2005. The principal purpose of the New Scheme is to provide incentives and rewards to eligible participants for their contribution or potential contribution to the Group.

On 14 October 2014, the Company granted share options to eligible persons under the New Scheme to subscribe for a total of 149,500,000 ordinary shares of HK$0.1 of the Company. The exercise price of the granted options is HK$0.5 per share, which is equal to the closing price of the shares on the date of grant. The options granted to each grantee are valid for a period of five years (i.e. valid until 14 October 2019) commencing from the day after the date of grant. Each of the three tranches of the options, representing one third of the options equally, will be excisable on 14 October 2015, 14 October 2016 and 14 October 2017 respectively and shall be vested upon the fulfilment of certain performance targets and other vesting conditions as described in the grant letter issued by the Company to each grantee.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binominal lattice model.

34 EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The Group amortised the fair value of the share options calculated above over the relevant vesting period. Accordingly, an amount of RMB9,246,000 was charged as an equity-settled share-based payment to profit or loss for the year of 2015 (2014: RMB2,243,000).

During 2015, 1,333,332 share options had been exercised by the grantees to the terms of the share option scheme (2014: Nil), and 10,083,336 share options had been forfeited (2014: Nil).

The number of share options exercisable under the New Scheme as at 31 December 2015 is 38,417,000 (2014: Nil).

Share options outstanding as at 31 December 2015 and 2014 have the following expiry dates and exercise prices:

2015

		Share options		
Expiry date	**Exercise price HK$ per share**	**granted to directors '000**	**granted to employees '000**	**Total '000**
14 October 2019	**0.5**	**–**	**138,083**	**138,083**
Weighted average exercise price (HK$)		**0.5**	**0.5**	**0.5**

2014

		Share options		
Expiry date	Exercise price HK$ per share	granted to directors '000	granted to employees '000	Total '000
14 October 2019	0.5	–	149,500	149,500
Weighted average exercise price (HK$)		0.5	0.5	0.5

35 CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of (i) debts, which includes the borrowings and the convertible bonds as disclosed in Notes 25 and 27, respectively; (ii) cash and cash equivalents and pledged time deposits in Note 31; (iii) equity attributable to owners of the Company, comprising share capital disclosed in Note 29 and reserves as disclosed in consolidated statement of changes in equity.

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Group manages the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The net debt to equity ratio at end of the reporting period was as follows:

	2015 **RMB'000**	2014 RMB'000
Debts	**374,695**	296,584
Cash and cash equivalents and pledged time deposits	**(147,230)**	(169,723)
Net debt position	**227,465**	126,861
Equity attributable to owners of the Company	**476,917**	410,755
Net debt to equity ratio	**47.7%**	30.9%

36 FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

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

In respect of trade and other receivables, individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers and debtors as well as pertaining to the economic environment in which the customers operate. Normally, the Group does not obtain collateral from customers, except for the loans to Shenzhen Jiahong.

For the detail of loans to Shenzhen Jiahong, please refer to Note 24(b).

Investments are normally only in highly liquid monetary funds with floating interest.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 16% (2014: 16%) and 33% (2014: 30%) of the total gross trade receivables that were due from the Group's largest customer and the five largest customers respectively within the manufacture and sale of automobile accessories business segment.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 24.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

36 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

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

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2015						
Bank borrowings, secured	**224,245**	**233,991**	**225,049**	**1,416**	**2,671**	**4,855**
Trade payables	**171,557**	**171,557**	**171,557**	**–**	**–**	**–**
Other payables	**88,425**	**88,425**	**88,425**	**–**	**–**	**–**
Convertible bonds	**150,450**	**203,707**	**9,767**	**193,940**	**–**	**–**
Total	**634,677**	**697,680**	**494,798**	**195,356**	**2,671**	**4,855**
2014						
Bank borrowings, secured	161,829	177,896	168,438	1,619	3,003	4,836
Trade payables	190,445	190,445	190,445	–	–	–
Other payables	75,105	75,105	75,105	–	–	–
Convertible bonds	134,755	191,586	–	–	191,586	–
Amounts due to non-controlling owners of subsidiaries	5,000	5,000	5,000	–	–	–
Total	567,134	640,032	438,988	1,619	194,589	4,836

36 FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Interest rate risk

The Group's fair value interest-rate risk mainly arises from liability component of convertible bonds as disclosed in Note 27. Most of bank borrowings were issued at fixed rates which expose the Group to fair value interest rate risk.

It is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss for the year and accumulated losses as at 31 December 2015 by RMB125,091 (2014: by RMB215,137). The Group has not used any financial instrument to hedge potential fluctuations in interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 25.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily US$.

The Group is also exposed to foreign currency exchange risk arising from the cash and cash equivalents denominated in US$.

The following table details the Group's exposure at the end of reporting period to currency risk arising from transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2015	2014
	US$'000	US$'000
Trade and other receivables	**10,871**	10,667
Cash and cash equivalents and pledged time deposits	**2,699**	2,809
Bank borrowings	**(6,000)**	(6,000)
Overall net exposure	**7,570**	7,476

36 FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk *(Continued)*

The following table indicates the approximate change in the Group's loss for the year and accumulated losses and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates a decrease in loss or an increase in profit and other equity where the RMB weakens against the relevant currency. For a strengthening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit or loss and other equity, and the balances below would be negative.

	2015			2014		
	Increase in foreign exchange rate	**Effect on loss for the year and accumulated losses RMB'000**	**Effect on other components of equity RMB'000**	Increase in foreign exchange rate	Effect on loss for the year and accumulated losses RMB'000	Effect on other components of equity RMB'000
US$	**5%**	**1,843**	**–**	5%	1,764	–

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

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the period until the end of the next reporting period. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' results for the year and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2014.

37 SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts and fair values of the Group's financial assets and financial liabilities as recognised at 31 December 2015 and 2014 may be categorised as follows:

	2015		2014	
	Carrying value RMB'000	**Fair value RMB'000**	Carrying value RMB'000	Fair value RMB'000
Financial assets				
– Available-for-sale, at fair value	**53,383**	**53,383**	–	–
– Loans and receivables (including cash and cash equivalents and pledged time deposits), at amortised cost	**576,930**	**576,930**	452,465	452,465
Financial liabilities				
– Financial liabilities, at amortised cost	**638,686**	**638,686**	569,199	569,199
– Conversion option embedded in convertible bonds, at fair value	**5,869**	**5,869**	–	–

(a) The fair values of financial assets and liabilities are determined as follows:

– The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

– The fair value of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments and forecast on the financial performance and other measures of the acquirees under the contingent consideration arrangements. The directors are of the opinion that there are no reasonably possible alternative assumptions to the inputs in the fair value measurement.

(b) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

37 SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

(b) Fair value hierarchy *(Continued)*

	Fair value measurements as at 31 December 2015 categorised into		
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**
Recurring fair value measurement:			
– Available-for-sale money market fund	**42,383**	**–**	**–**
– Available-for-sale wealth management products	**–**	**11,000**	**–**
– Conversion option embedded in convertible bonds	**–**	**–**	**5,869**

The fair value of conversion option embedded in convertible bonds is determined using binomial option pricing model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 December 2015, it is estimated that with all other variables held constant, an increase/ decrease in the expected volatility by 5% would have decreased/increased the Group's profit by RMB983,000/790,000 (2014: N/A).

As at 31 December 2014, there was no such financial instrument measured at fair value.

The movement in fair value measurements in Level 3 during the year are as follows:

	2015 RMB'000
At 1 January	**–**
Issuance of convertible bonds	**23,723**
Changes in fair value recognised in profit or loss during the year	**(19,330)**
Exchange realignment	**1,476**
At 31 December	**5,869**

38 CONTINGENT LIABILITIES

At the end of 31 December 2014 and 2015, there is no contingent liability not provided for in the financial statements.

39 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	31 December 2015 RMB'000	31 December 2014 RMB'000
ASSETS AND LIABILITIES		
Non-current assets		
Interest in subsidiaries	**729,606**	623,800
	729,606	623,800
Current assets		
Deposits, prepayments and other receivables	**1,031**	174
Short-term loan to a subsidiary	**104,000**	104,000
Cash and cash equivalents	**592**	1,304
	105,623	105,478
Current liabilities		
Accruals and other payables	**10,623**	3,916
Amounts due to subsidiaries	**–**	3
Convertible bonds	**156,319**	–
	166,942	3,919
Net current assets	**(61,319)**	101,559
Total assets less current liabilities	**668,287**	725,359
Non-current liabilities		
Convertible bonds	**–**	134,755
	–	134,755
NET ASSETS	**668,287**	590,604
CAPITAL AND RESERVES		
Share capital	**376,133**	307,931
Reserves	**292,154**	282,673
TOTAL EQUITY	**668,287**	590,604

Approved and authorised for issue by the board of directors on 30 March 2016.

Ying Wei	**Du Jinglei**
Director	*Director*

(Expressed in Renminbi unless otherwise indicated)

40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
Amendments to IFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to IAS 1, *Disclosure initiative*	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements, except for the following.

IFRS 9 *Financial Instruments*

IFRS 9 replaces the existing guidance in IAS 39 *Financial instruments: Recognition and measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 15 *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction contracts* and IFRIC 13 *Customer Loyalty Programmes*. It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

IFRS 16 *Leases*

IFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, IFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces IAS 17 *Leases* and the related interpretations including IFRIC 4 *Determining whether an arrangement contains a lease*.

The Group does not plan to early adopt the above new standards or amendments. With respect to IFRSs 9, 15 and 16, given the Group has not completed its assessment of their full impact on the Group, their possible impact on the Group's results of operations and financial position has not been quantified.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below:

RESULTS

	1,1.2015 to 31.12.2015 RMB'000	1,1.2014 to 31.12.2014 RMB'000	1.1.2013 to 31.12.2013 RMB'000	1.1.2012 to 31.12.2012 RMB'000	1.1.2011 to 31.12.2011 RMB'000
Revenue	**1,254,191**	1,397,498	1,414,616	1,397,885	1,493,140
(Loss)/profit before income tax expense	**(103,302)**	(26,379)	(565,262)	(374,376)	83,943
Income tax expense	**(645)**	(9,422)	48,412	16,017	(25,251)
(Loss)/profit for the year	**(103,947)**	(35,801)	(516,850)	(358,359)	58,692
Attributable to:					
Owners of the Company	**(90,967)**	(43,223)	(446,700)	(324,761)	26,304
Non-controlling interests	**(12,980)**	7,422	(70,150)	(33,598)	32,388
	(103,947)	(35,801)	(516,850)	(358,359)	58,692

ASSETS AND LIABILITIES

	31.12.2015 RMB'000	31.12.2014 RMB'000	31.12.2013 RMB'000	31.12.2012 RMB'000	31.12.2011 RMB'000
Total assets	**1,319,032**	1,188,415	1,346,733	1,694,039	1,903,760
Total liabilities	**(734,319)**	(648,118)	(853,058)	(1,168,351)	(1,028,162)
Net assets	**584,713**	540,297	493,675	525,688	875,598