

ANNUAL REPORT 2014



LIZHONG WHEEL GROUP LTD.

立中车轮
ANNUAL REPORT 2014

CORPORATE PROFILE



Established in 1995 and listed on the SGX Mainboard since 2005, Lizhong Wheel Group Ltd (“Lizhong Wheel” or together with its subsidiaries, the “Group”) specializes in the design, manufacture and sale of aluminum alloy wheels. Today, the Group is one of the largest producers of aluminum alloy wheels in the People’s Republic of China (“PRC”).

The products manufactured by the Group are sold to renowned international auto brands like BMW, AUDI, CHRYSLER, HONDA, FIAT, GREAT WALL, GEELY and TOYOTA, amongst others.

Sales are made to customers through four major channels, including oversea original equipment manufacturing and domestic original equipment manufacturing services. In the PRC, domestic retail sales are made over 50 distribution channels covering all the major provinces, and for overseas retail sales, the Group distributes to customers in the USA, Europe, Japan and South Korea.

The Group now has eight production facilities in China, of which five are for wheel production, one for wheel mould production and two for wheel assembly services. Most of the production facilities are strategically located in the Pan Bohai Sea Region - an important auto hub in the PRC. The

Group also has one overseas wheel production plant in the Thai-China Rayong Industrial Park in Thailand which creates a platform for the Group’s overseas development and expansion.

The Group had an annual production capacity of 13.6 million wheels and 600 sets of wheel moulds for the year 2014. The annual production capacity of the Group is expected to reach 15.0 million wheels as well as 1,000 sets of wheel moulds by the end of year 2015.

As a testament to the quality of the Group’s production, the Group’s products are able to conform to international standards such as QS9000, ISO/TS 16949, TÜV (Germany), SFI (USA) and VIA (Japan). Currently, the Group owns over 400 patented models of wheels with specifications ranging from 12 to 24 inches in diameter.

The Group is committed to product innovation. Key development strategies of the Company will focus on the research and development of light wheel and intelligent moulds, automatic wheel production, extended services for aluminum alloy wheels and lastly, product marketing efforts.

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CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS OF LIZHONG WHEEL GROUP LTD. ("LIZHONG WHEEL" OR "THE GROUP" OR "立中车轮"), I AM PLEASED TO PRESENT YOU THE ANNUAL REPORT OF THE GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 ("FY2014").

FINANCIAL REVIEW

For FY2014, the Group recorded a revenue of RMB2,909.7 million, which represented an 8.0% growth from RMB2,695.2 million for FY2013. This is largely the result of an increase of approximately RMB314.0 million from the overseas Original Equipment Manufacturer ("OEM") business segment. However, this increase was partially offset by a combined decrease of RMB131.3 million in the domestic OEM business segment, the overseas aftermarket business segment, and the domestic aftermarket business segment.

Gross profit increased by 33.9% to RMB480.2 million for FY2014. Gross profit margin improved 3.2% to 16.5% for FY2014 from 13.3% for FY2013 due to higher profit margins from overseas OEM sales.

In line with the improving in revenue, we recorded a 28.3% increase in operating expenses to RMB345.0 million largely due to an increase in agent commissions, delivery fees, research expenses, staff-related costs and other miscellaneous expenses.

With better performance for FY2014, we are proud to announce that the net profit attributable to shareholders and earnings per share are RMB87.9 million and 37.41 RMB cents respectively, both increased 25.1% over the previous year.

INNOVATION

Previously, the Group entered a joint venture partnership with HBE Press Co. Ltd. ("Korea HBE"). Equipped with advanced molten-metal forging equipment and technology, Korea HBE helped the Group to meet the technological demands of the heavy truck and high-grade passenger car wheels industry in the People's Republic of China ("PRC"). In November 2014, the Group applied this newly learned technology and began mass production of wheel hubs forged from molten aluminium alloys for heavy trucks and high-grade passenger cars, which filled a market gap among domestic wheel manufacturers. The products have been certified by the China Quality Certification Center and the Standards Testing Labs Inc. in the US, and have been exported to the US, Germany, Mexico, Brazil and the UK.

In order to achieve operational and quality excellence, we will continue our research and development efforts to cater to more sophisticated demands of the automobile sector.

STAYING OPTIMISTIC IN THE OVERSEAS MARKET

The Group's first overseas plant in Thailand is equipped with a total-design annual production capacity of 1.6 million aluminium alloy wheels, 0.8 million for Phase I and 0.8 million for Phase II. Together with the sales representative in the US, they serve as springboards for us to further strengthen our foothold in overseas markets where there is untapped demand for new commercial automobiles.

OUTLOOK

According to the China Association of Automobile Manufacturers ("CAAM"), the production and sales of



automobiles in China increased 7.3% and 6.9% year-on-year to 23,722,900 and 23,491,900 units respectively in 2014¹. Also, passenger car sales, which account for the bulk of the market², rose 9.9% to 19.7 million vehicles in 2014.

We believe the increase in automobile ownership will boost the number of passenger vehicles in China. According to data as of November 2014 from the National Bureau of Statistics of China, there is an 8.4% year-on-year increase in automobile production. The value of the automobile industry also increased by 9.0% in 2014.

Although the labour and raw material costs are expected to increase in 2015, we will strive to deliver further growth in our business. Leveraging on our established track record of maintaining high quality products, we have set our sights to capture the buoyant demand of the growing automobile sector in China. In addition, we will seek out and establish partnerships with global, reputable automakers.

Currently, Lizhong Wheel owns nine subsidiaries. They comprise five wheel manufacturing companies, one mould manufacturing company and two automobile assembly companies in China, and one wheel production plant in

Thailand. The Group has over 400 different models of electro-plated and spray-painted aluminium alloy wheels, with sizes ranging from 12 to 24 inches in diameter. The total per-annum production capacity of the Group will reach 15.0 million wheels, 1000 sets of wheel mould and a wheel assembly capacity of 6 million by the end of 2015.

WORDS OF APPRECIATION

Lastly, I would like to take this opportunity to express my gratitude and appreciation to our board of directors, management, staff and our most valued shareholders, for your unwavering support and trust in Lizhong Wheel. We will strive to further enhance shareholder's value in 2015.

ZANG LIGEN
EXECUTIVE CHAIRMAN

Reference

1. The sales and production of automobiles kept a steady growth, China Association of Automobile Manufactures, <http://www.caam.org.cn/AutomotivesStatistics/20150114/0905144504.html>
2. China auto industry association cuts 2014 sales forecast, Reuters, <http://uk.reuters.com/article/2014/10/21/uk-china-autos-idUKKC-N0IA0PF20141021>

OPERATIONS REVIEW



FINANCIAL PERFORMANCE

REVENUE

The Group achieved an 8.0% year-on-year increase in revenue to RMB2.9 billion for the financial year ended 31 December 2014 ("FY2014"). The increase in revenue was mainly due to an increase in sales from the overseas Original Equipment Manufacturer ("OEM") business segment, which was worth approximately RMB314.0 million.

However, this was offset by a decrease in sales of approximately RMB63.4 million in the domestic OEM business segment. Combined sales from overseas and domestic aftermarket business segments also recorded a decrease of RMB35.2 million and RMB 32.7 million respectively.

GROSS PROFIT

Income

For FY 2014, gross profit increased by 33.9% to RMB480.2 million from RMB358.7 million in the previous year ("FY 2013"). The gross profit margin also improved by 3.2% to 16.5% from 13.3%, which was mainly due to the increase in overseas OEM sales.

Other forms of operating income decreased by RMB3.4 million for FY2014. This was largely due to RMB7.7

negative goodwill on increased equity interest in HT&L Fittings (Changsha) Co. Ltd. in 2013, increase in government grants of RMB2.2 million and foreign exchange gain of RMB1.3 million in 2014.

Expenses

Other operating expenses reduced significantly from RMB8.1 million to RMB2.5 million. This decline is mainly due to the absence of the one-time impairment loss in 2014.

Distribution costs increased by RMB19.6 million. This was mainly due to an increase in agent commission of RMB8.9 million, delivery fees of RMB6.3 million and other miscellaneous expenses.

Administrative expenses increased by RMB62.3 million for FY2014 as compared with FY2013. This was mainly attributed to an increase in research expenses of RMB45.5 million, staff related costs of RMB5.7 million, and other miscellaneous expenses.

Finance expenses increased by approximately RMB13.1 million to RMB48.0 million for FY2014 as compared with RMB34.9 million for FY2013. The increase was mainly due to an increase in bank loans.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization increased by RMB22.1 million for FY2014 as a result of additional property, plant,

OPERATIONS REVIEW



and equipment for the new plant in Tianjin and investments in Thailand.

For FY2014, the Group's income tax was around RMB24.7 million, comprising income tax expense of RMB27.3 million and tax refund of approximately RMB2.6 million, received in accordance with PRC tax legislations applicable to foreign investment enterprises.

Profit summary

Consequently, the Group registered a net profit of RMB87.9 million for FY2014 attributable to the owners of the Group, an increase of 25.1% from RMB70.3 for FY2013.

FINANCIAL POSITION

In line with the increase in revenue, trade receivables as at 31 December 2014 grew by RMB4.7 million over the past year.

Other receivables and pre-payments increased by RMB114.7 million. The increase amount consists of pre-payments of RMB49.6 million to sub-contractors, pre-payments of RMB 27.0 million for ocean freight and export rebate worth RMB16.9 million.

The Group's inventories increased by approximately RMB109.6 million, reaching RMB462.8 million as at 31 December 2014 compared with RMB353.2 million a year ago. This was mainly due to an increase in finished goods.

Property, plant and equipment grew by about RMB89.3 million or 12.0% to RMB835.3 million as at 31 December 2014. This was largely due to the acquisition of machinery and production equipment of RMB174.3 million, partially offset by a depreciation of RMB87.3 million.

The Group's total equity attributable to shareholders stood at RMB816.6 million as at 31 December, an increase of 10.4% from RMB739.7 million a year ago. Net asset value per ordinary share rose by RMB32 cents to RMB347 cents as at 31 December 2014.

CASH FLOW MANAGEMENT

Net cash generated by operating activities amounted to RMB52.7 million in FY2014, mainly due to increased business activities.

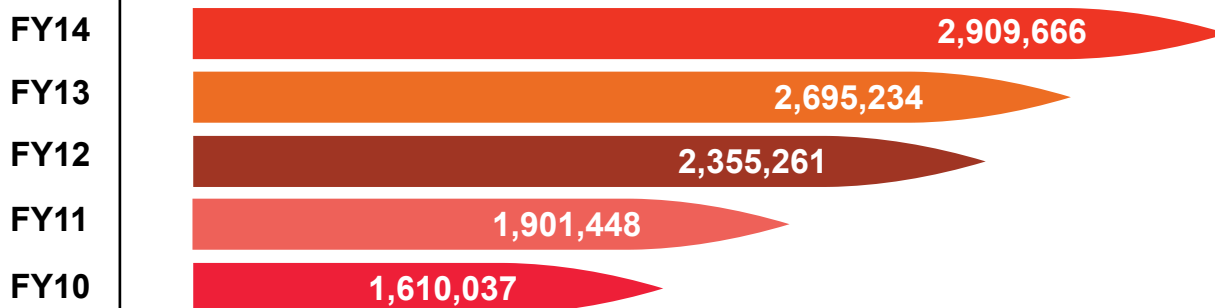
Net cash used in investing activities was RMB192.8 million for FY2014, compared to RMB125.2 million for FY2013. This was mainly spent on the purchase of plant and equipment.

Net cash from financing activities was RMB153.3 million, mainly from an increase in short-term borrowings. This was in line with the business activities for FY2014.

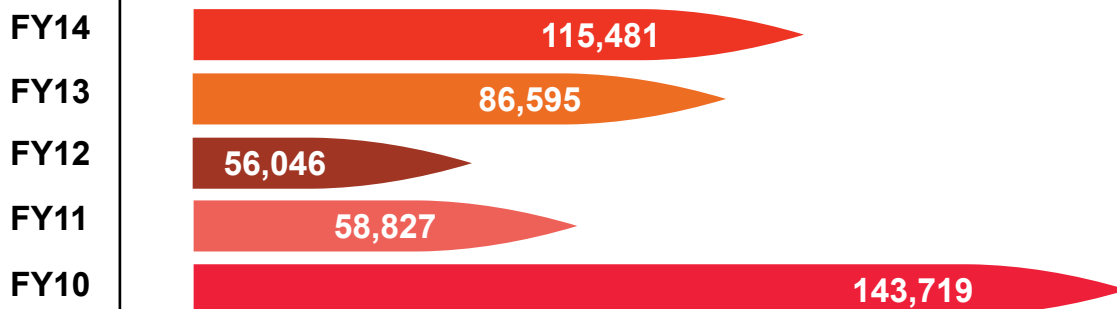
As a result, the Group's cash and cash equivalents increased from RMB137.0 million a year ago to RMB150.3 million as at 31 December 2014.

FINANCIAL HIGHLIGHTS

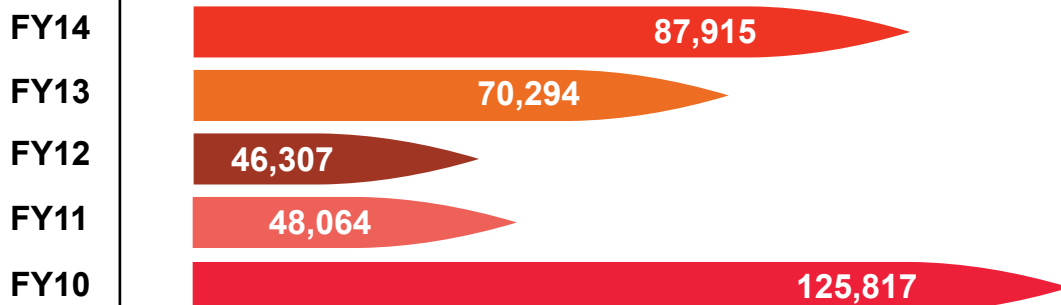
REVENUE RMB'000



PROFIT BEFORE INCOME TAX RMB'000



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY RMB'000



	FY2010	FY2011	FY2012	FY2013	FY2014
Revenue	1,610,037	1,901,448	2,355,261	2,695,234	2,909,666
Profit Before Income Tax	143,719	58,827	56,046	86,595	115,481
Profit Attributable to Equity Holders of the Company	125,817	48,064	46,307	70,294	87,915
Total Assets	1,601,211	2,024,953	2,282,794	2,593,085	2,939,535
Total Liabilities	996,299	1,384,086	1,593,625	1,798,351	2,078,637
Equity Attributable to Equity Holders of the Company	581,782	613,527	661,516	739,681	816,572
Cash and Cash Equivalents	101,749	108,117	130,303	136,988	150,321
Earnings Per Share (RMB cents)	53.53	20.45	19.70	29.91	37.41
Net Operating Cash Flow	117,002	143,411	-70,873	44,934	52,744



BOARD OF DIRECTORS



Mr Zang Ligen
Executive Chairman

Mr Zang Ligen ("Mr Zang"), one of the founders of our Group, is our Executive Chairman and is responsible for the overall management of our Group. He has approximately 31 years of relevant experience in the manufacturing and processing of aluminium alloy and more than 20 years of relevant experience in the manufacturing of aluminium alloy wheels.

Mr Zang, together with our other Executive Directors, established Qingyuan County Joint Supply and Marketing Co., Ltd. in 1984 (now known as Hebei Lizhong), a company principally engaged in the manufacturing and processing of aluminium alloy. In 1995, Mr Zang, together with our other Executive Directors, established Baoding Lizhong Wheel Manufacturing co., Ltd ("Baoding Wheel") to undertake the manufacturing of aluminium alloy wheels and he was appointed as chairman from 1995 to 2000 and from 2004 to date. From 1996 to date, he was appointed as deputy chairman of Baoding Longda Aluminium Co., Ltd., a company principally engaged in the manufacturing and processing of aluminium alloy. From 1997 to date, he was appointed as the chairman of Hebei Lizhong. From 2002 to date, he was appointed as chairman of Qinhuangdao Dicamry. From 2003 to date, he was appointed as chairman of Guangzhou Lizhong Jishan Alloy Co., Ltd., a company principally engaged in the manufacturing and processing of aluminium alloy. He held several notable positions such as Deputy to the 11th People's Congress of Hebei Province (since 2003), deputy head of China Non-ferrous Metals Industry Association, Recycled Metals Division (since 2002), and committee member of Hebei Provincial Township Enterprise Association (from 1996-2001).

Mr Zang was awarded a certificate for being the main contributor in relation to the A356 aluminium, silicon, magnesium and titanium alloy products of high purity in 1999 by Hebei Provincial Science and Technology Committee and a certificate to recognise him as an outstanding factory head of Township Enterprise in Hebei Province in 1999.



Mr Zang Lizhong
Executive Director

Mr Zang Lizhong ("Mr Zang"), one of the founders of our Group, is our Executive Director and assists our Executive Chairman in the management, supervision and co-ordination of the business of the Group. Mr Zang, together with our other Executive Directors, established Qingyuan County Joint Supply and Marketing Co., Ltd. in 1984 (now known as Hebei Lizhong), a company principally engaged in the manufacturing and processing of aluminium alloy. In 1995, Mr Zang, together with our other Executive Directors, established Baoding Lizhong Wheel Manufacturing co., Ltd ("Baoding Wheel") to undertake the manufacturing of aluminium alloy wheels and was appointed as its deputy general manager, where he was responsible for the production and technological development. From 1997 to date, he was appointed as deputy chairman of Hebei Lizhong. From 2000 to 2004, he was appointed as chairman of Baoding Wheel. Mr Zang was appointed as visiting professor of Baoding Junior College of Finance in 2004. He was appointed as deputy president of the 2nd Standing Committee of the Federation of Industry and Commerce of the North District of Baoding (General Chamber of Commerce) in 2003. In 2010, he was appointed as the Chairman of New Thai Wheel Manufacturing Co., Ltd.



Mr Zang Liguu
Executive Director

Mr Zang Liguu ("Mr Zang"), one of the founders of our Group, is our Executive Director and assists our Executive Chairman in the management, supervision and coordination of the business of the Group.

Mr Zang Liguu, together with our other Executive Directors, established Qingyuan County Joint Supply and Marketing Co., Ltd. in 1984 (now known as Hebei Lizhong), a company principally engaged in the manufacturing and processing of aluminium alloy. In 1995, Mr Zang, together with our other Executive Directors, established Baoding Lizhong Wheel Manufacturing co., Ltd ("Baoding Wheel") to undertake the manufacturing of aluminium alloy wheels. From 1996 to 1997, he was appointed as deputy general manager of Baoding Longda Aluminium Co., Ltd., a company principally engaged in the manufacture and processing of aluminium alloy. In 1998, he was appointed as chairman of Hebei Sitong, a company principally engaged in the processing of scrap aluminium alloy into reusable aluminium alloy ingots.

BOARD OF DIRECTORS



Mr Ong Tiew Siam
Lead Independent Director

Mr Ong Tiew Siam (“Mr Ong”) is the Lead Independent Director of the Group.

Mr Ong has more than 36 years of experience in the field of finance, accounting and administration in various industries. He is a fellow member of the Institute Of Singapore Chartered Accountants and a member of the Singapore Institute of Directors. He also sits on the board of several listed companies on the SGX. Mr Ong holds a Bachelor of Commerce (Accountancy) honours degree from the former Nanyang University of Singapore.



Mr Chua Hung Meng
Independent Director

Mr Chua Hung Meng has been in the banking industry for 30 over years.

Currently, he is also an independent director of Oriental Group Ltd which is listed on SGX . He is also a Board member of NUS Business School Alumni Ltd, BOP Hub Organization and World Toilet Organization.

Mr Chua obtained his Bachelor of Business Administration degree from the National University of Singapore in 1981, and received a Masters in Professional Accounting degree from The University of Southern Queensland in 2003.



Mr Zhao Qinghua
Independent Director

Mr Zhao Qinghua ("Mr Zhao") is the Independent Director of the Group.

He was a teacher at the Faculty of Economics Management of Hebei Geological College (now known as Economic University of Shijiazhuang) from 1978 to 1984 and at Baoding Junior College of Finance from 1984 to 1988. From 1989 to 1995, he was an economics adviser to Baoding Nonferrous Metals Processing Factory (now known as Hebei Lizhong) and Baoding Lizhong Nonferrous Metals Co., Ltd. He was concurrently a lawyer of Baoding City Economics Law Firm and Baoding City Jinfang Law Firm from 1988 to 1991 and from 1991 to 1994 respectively. From 1996 to 1997, he was appointed as general manager of Baoding Longda Aluminium Co., Ltd., a company principally engaged in the manufacturing and processing of aluminium alloy. From 1998 to 2002, he was appointed as general manager of Hebei Lizhong, a company principally engaged in the manufacturing and processing of aluminium alloy.

Currently, Mr Zhao is an associate professor of Baoding Junior College of Finance. He holds a Diploma in Economics Management (Geology) from Hebei Geology College. He also holds a Diploma in Accountancy from the Renmin University of China. He is concurrently the research personnel of China Township Enterprise Research Institute. He also holds various positions such as committee member of the Chinese People's Political Consultative Conference of Hebei Provincial Committee, deputy head of the Taiwan, Hong Kong, Macau Compatriots Commission of Chinese People's Political Consultative Conference Baoding and committee member of the Chinese People's Political Consultative Conference of Baoding and member of Jiu San Society Baoding Municipal Committee.

KEY MANAGEMENT



Mr Zhang Jianliang

Group Chief Executive Officer

Mr Zhang Jianliang is the Chief Executive Officer of the Group. He is responsible for assisting the Board to formulate and implement the business strategies of the Group, and oversees the day-to-day operations of the Group. From 1987 to 1988, he was a technical officer of CITIC Bohai Aluminium Co., Ltd. From 1988 to 1995, he was the head of the machining and sales department of Dicastal Wheel. He was seconded by Tianjin Dicastal Wheel Manufacturing Co., Ltd to Baoding Wheel from 1995 to 1999. He was appointed as the general manager of Baoding Wheel from 1995 to 2001 and from 2004 to date. From 2002 to 2008, he was appointed as the general manager of Qinhuangdao Dicamry. He is currently also a professor of Baoding Junior College of Finance and a technology consultant of GIMA GmbH (located in Goeppingen, Germany). He holds a Bachelor Degree in Mechanical Engineering from the Faculty of Machinery from Beijing Institute of Chemical Technology (now known as Beijing University of Chemical Technology).



Mr Zhang Jinli

Group Chief Financial Officer

Mr Zhang Jinli is the Chief Financial Officer of the Group. He is responsible for the financial management of the Group. From 1991 to 1996, he was a product design personnel of Baoding Transformer Factory (now known as Tianwei Baobian Co., Ltd.) where he was responsible for product design and development. From 1999 to 2000, he was an auditor with Shenzhen Zhonghua Accounting Firm, where he was responsible for the audit of listed companies in the People's Republic of China ("PRC"). From 2000 to 2004, he was an investment manager of Guangdong Hualong Group Company Limited. He holds a Bachelor Degree in electric machinery studies and a Bachelor Degree in Technological Economics from Tianjin University and obtained a Masters in Management from Renmin University of China. He is currently a non-practising member of the PRC Certified Public Accountants' Association and a fellow member of the Association of Chartered Certified Accountants.

Mr Liu Baoxing

Vice-President

Mr Liu Baoxing is the Vice-president of the Group and the General Manager of Tianjin Dicastal Wheel Manufacturing Co., Ltd and Tianjin Lizhong Wheel Co., Ltd ("Tianjin Lizhong"), responsible for assisting the CEO with the management of four plants in Tianjin. He has been with our Group since 1996. He is responsible for the procurement and sales of our Group. From 1991 to 1996, he was a sales personnel of Hebei Province Qingyuan County Foreign Trade Integrated Processing Factory where he was responsible for sales. In 1996, he joined Baoding Wheel as a sales executive, and has since held various positions of deputy sales manager, sales manager, assistant to general manager and deputy general manager. He holds a diploma in Industrial Economics (Management of Rural Enterprises) from the Department of Economics of Hebei University.

Mr Ji Guofu

Vice-President

Mr Ji Guofu is the Vice-President of the Group. He is in charge of Research and Development and Quality Control and responsible for the Group's technology systems, development of new products and quality control. Prior to joining the Group, he served as a technician of Nanchang Hongdu Machinery Factory from 1986 to 1992. From 1992 to 1998, he was appointed as the head of Xiamen City Chengdong Machinery Factory. He was appointed as deputy general manager and chief engineer of Baoding Wheel in 1998. He obtained a Diploma in Machine-Building Technology and Equipment from Nanchang Airplane Manufacturing Company Polytechnic Institute in 1990.

Mr Song Zhao Yi

Vice-President

Mr Song Zhao Yi is the Vice-President of the Group and the standing Deputy General Manager of Baoding Wheel. He has been with the Group since April 2006. From 1992 to 1995, he was an engineer with the Manufacture & Repair Branch Factory of Fushun Aluminum Plant. From 1995 to 2005, he joined Fushun Shunhua Aluminum Wheel Manufacturing Co., Ltd and rose through the ranks to the position of general manager. From 2005 to 2006, he was the general manager of CAM Automotive Manufacturing (Fushun) Co., Ltd. In March 2006, he joined Baoding Wheel as standing deputy General Manager and has then been Deputy General Manager of Tianjin Lizhong. He obtained his professional training in the areas of casting techniques and equipment at the Jinzhou Institute of Technology.

Mr Cao Weize

General Manager

Mr Cao Weize is the General Manager of New Thai Wheel and has been with our Group since March 2005. From 1988 to 1990, he held the position of journalist at the Baoding Radio Station in the Hebei province. From 1990 to 2001, he served as a clerk, and held various judiciary positions in the Intermediate People's Court in Baoding City. For the period from 1997 to 2000, he studied law at Renmin University of China. From July 2001 to March 2005, he served as the Secretary of the Board at Hebei Lizhong. From March 2005 to October 2007, he held the position of operations manager in Lizhong Wheel Group Ltd. and held the position of Deputy General Manager and General Manager of Qinhuangdao from November 2007 to May 2012. He holds a degree in Master of Law from the Renmin University of China.

Mr Zhang Mingxin

Vice-President

Mr Zhang Mingxin is the Vice-President of the Group and the General Manager of Tianjin Nano. From 1989 to 2009, he was the Deputy General Manager of CITIC Dicastal Co., Ltd.. From 2010 to 2012, he was the General Manager of Shenyang Sanhua Dicastal Wheel Co., Ltd. He obtained his Bachelor Degree in Xi'an Jiaotong University and Master Degree in Tsinghua University.

Mr Wang Xianbin

Deputy General Manager

Mr Wang Xianbin is the Deputy General Manager of Tianjin Lizhong. From July 1995 to March 2000, he worked as a technician in Hebei Tianye Automobile Group Co., Ltd. From March 2000 to October 2008, he served as head of the production department with Baoding Wheel. From November 2008 to May 2010, he was Deputy General Manager of Tianjin Nano and was in charge of overall management. He obtained a Bachelor Degree of Machine Manufacturing in Hebei University of Electromechanics.

KEY MANAGEMENT

Mr Tian Baoji

General Manager

Mr Tian Baoji is the General Manager of Qinhuangdao Dicastal and has been with our Group since 1995. From 1990 to 1994, he worked at the Baoding Machine Tool Plant. From 1995 to 2002, he was the supervisor of the plant at Baoding Wheel. From 2002 to March 2005, he was appointed as an assistant to the general manager and the head of operations in Qinhuangdao Dicastal and was later promoted to deputy general manager of Tianjin Lizhong in November 2007. He holds a degree in Economics from the Hebei University of Technology and professional certifications as an assistant engineer.

Mr Tang Yongdong

Deputy General Manager

Mr Tang Yongdong is the Deputy General Manager of Baoding Wheel and Group Production Director, responsible for the overall group production management. From 1985 to 1996, he was a worker in Baoding Knitting Plant, and a sales person in Baoding Julong Company and Sanchuan Electric Power company. From June 2000, he joined Baoding Wheel as Workshop Manager then used to be Chief of Production Department and Assistant to General Manager in Qinhuangdao Dicastal and Chief of Manufacturing Department and Assistant to General Manager in Baoding Wheel. He holds a diploma in Engineering from Hebei Staff and Workers University with a qualification certification of Engineer.

Mr Zhao Qishan

Deputy General Manager

Mr Zhao Qishan is the Deputy General Manager of Tianjin Dicastal Wheel Manufacturing Co., Ltd and has been with the company since 2001. From 1996 to 2000, he was a production worker at Hebei Lizhong and was subsequently promoted to the head of the facility. Between June 2000 and February 2001, he was the head of production at Baoding Longda Aluminium Ltd. From 2001 to 2007, he held various positions including head of casting, heat treatment, production and deputy head of quality control. From 2007, he has been serving as the deputy general manager of Tianjin Dicastal. He holds professional certifications as an assistant engineer.

Mr Wang Chao

Deputy General Manager

Mr Wang Chao is the Deputy General Manager of Baoding Wheel, responsible for the overall financial management. From August 1997 to December 1999, he was an accountant in Baoding Electric Relay Plant. From January 2000 to December 2002, he was the Financial Manager in Baobei Medicine Sales Company. From January 2003, he has joined the Group and has since held various positions of accountant, Deputy Chief of Financial Department and Chief of Financial Department. He holds a diploma of financial management from Hebei University with a qualification certification of Accountant.

Mr Yu Qiulin

Deputy General Manager

Mr Yu Qiulin is the Deputy General Manager of Baoding Wheel and has been with our Group since 2003. Prior to joining the Group, he served as a technician in Xiamen Minxing Industry Co., Ltd. in Fujian Province from 1999 to 2002. From October 2002 to August 2003, he worked as Quality Manager in Xiamen New East Asia Color Printing Co., Ltd. From September 2003, he joined Baoding Wheel and has since held various positions of Technician, Director for the first Casting Workshop, Assistant Director of Production Department, Deputy Director of the first Production Department and Director of Comprehensive Department. From September 2010 to May 2012, he was the Deputy General Manager of New Thai Wheel Manufacturing Co., Ltd. He holds a Diploma in Quality Control Studies and Engineering from Hubei University.

Mr Dong Jie

Deputy General Manager

Mr Dong Jie is the Deputy General Manager of Baoding Wheel, responsible for the overall Equipment management. He joined Baoding Wheel in 1998 after graduation, and has since then held various positions, including worker in Equipment Maintenance Department, Section Chief of Equipment department, Chief of Maintenance Workshop and Deputy Chief and Chief of Equipment Engineering Department in Baoding Wheel and Deputy General Manager of Tian Nano from July 1998 to November 2011. He holds a diploma in Machinery Manufacturing from Huabei Oil College with a qualification certification of Engineer.

Mr Li Liansong

Deputy General Manager

Mr Li Liansong is the Deputy General Manager of Tianjin Dicastal Wheel Manufacturing Co., Ltd, assisting the General Manager with the overall management. From September 1989 to May 2009, he has been working in Tianjin Automotive Radiator Co., Ltd. and has held various positions, including technician, Team Leader, Deputy Chief and Chief of Quality Management Department, Assistant to General Manager and Chief of Production Department and Deputy General Manager. From June 2009 to October 2011, he was working at Tianjin Guantong Automotive Parts Manufacture Co.,Ltd as the General Manager and joined the Group after that. He holds a bachelor degree in Automotive and Tractor from Tianjin University with a qualification certification of Engineer.

Mr Wang Xingang

General Manager

Mr Wang Xingang is the General Manager of HT&L Fitting (Changsha) Co., Ltd, responsible for the overall management. From 1996 to 2007, he was in Baoding Lizhong. From 2007 to 2014, he was in Tianjin Dicastal as the Director for the workshop.

Mr Zhang Wengang

Deputy General Manager

Mr Zhang Wengang is the Deputy General Manager of Tianjin Lizhong, assisting the General Manager with the overall management. From 1992 to 2009, he has been working at Foshan Nanhai Zhongnan Aluminum Wheel Co., Ltd. and has held various positions, including Operator, Team Leader, Deputy Chief and Chief of Machining Workshop, Chief of Comprehensive Planning Management Department, Deputy General Manager of Automotive Wheel Business Unit, and Vice-President of the Group and General Manager of Chongqing branch company. From 2010 to February 2011, he was working at Foshan New Chuangxiong Aluminum Wheel Company as General Manager and joined the Group after that. He holds a diploma in Industrial Enterprise Management from Beijing Normal University with a qualification certification of Assistant Engineer.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

Mr Zang Ligen (Executive Chairman)

Mr Zang Liguo (Executive Director)

Mr Zang Lizhong (Executive Director)

Non-Executive:

Mr Ong Tiew Siam (Lead Independent Director)

Mr Zhao Qinghua (Independent Director)

Mr Chua Hung Meng (Independent Director)

AUDIT COMMITTEE

Mr Ong Tiew Siam (Chairman)

Mr Zhao Qinghua

Mr Chua Hung Meng

NOMINATING COMMITTEE

Mr Zhao Qinghua (Chairman)

Mr Chua Hung Meng

Mr Ong Tiew Siam

REMUNERATION COMMITTEE

Mr Chua Hung Meng (Chairman)

Mr Ong Tiew Siam

Mr Zhao Qinghua

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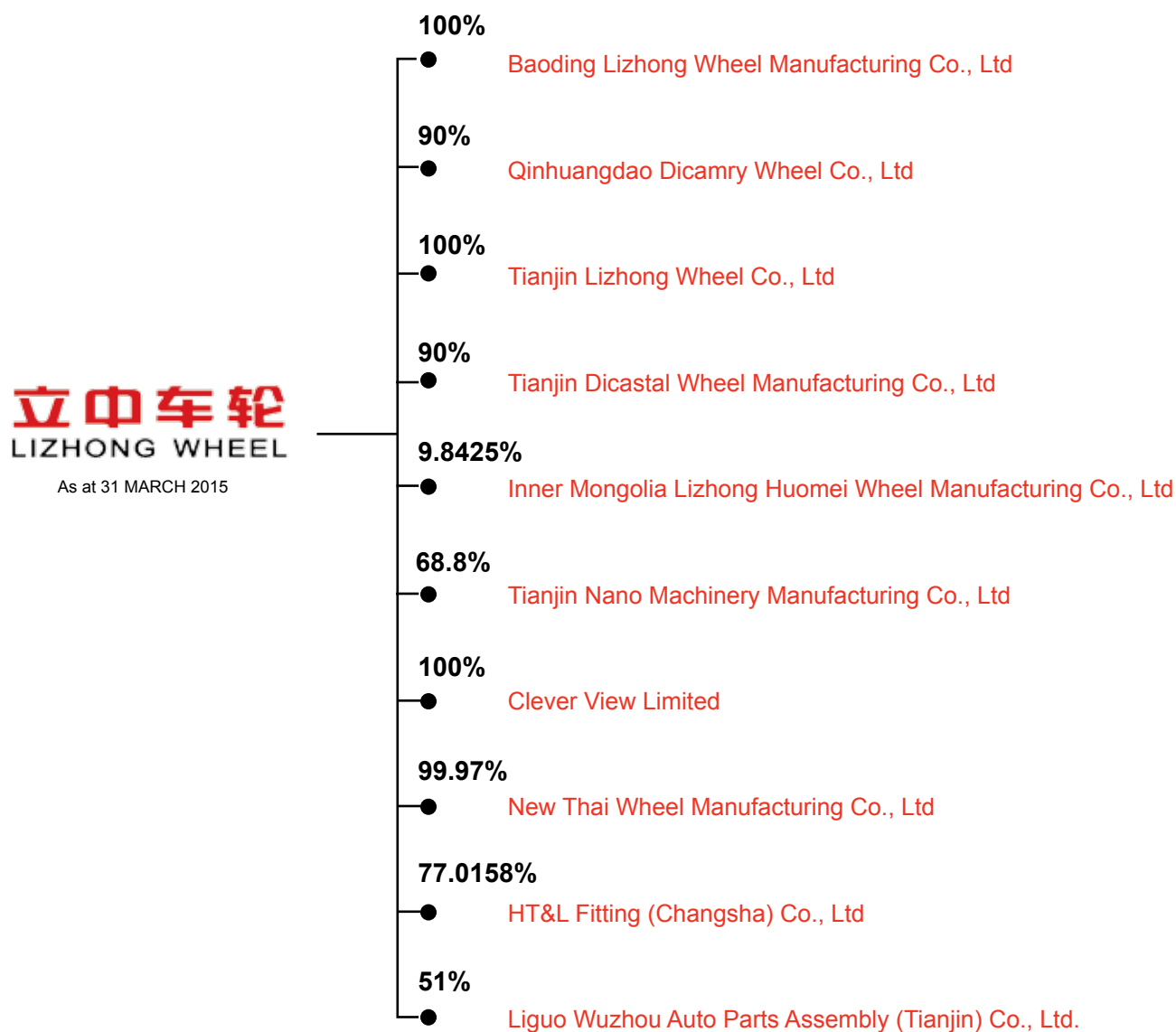
Singapore 068809

AUDIT PARTNER-IN-CHARGE

Name: Yang Chi Chih

Date of Appointment: 30 April 2014

CORPORATE STRUCTURE





CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

The Board of Directors (the "**Board**") of Lizhong Wheel Group Ltd. (the "**Company**") is committed to high standards of corporate governance. This report outlines the Company's corporate governance framework in place with specific reference to the principles of the Code of Corporate Governance 2012 (the "**Code**").

This Corporate Governance Report has incorporated the guidelines in the Singapore Securities Exchange Limited ("**SGX-ST**") SGX-ST's notice: "Disclosure on Compliance with the Code of Corporate Governance 2012", dated 29 January 2015 ("**SGX-ST Notice**").

The SGX-ST Notice has raised specific questions on certain guidelines ("**SGX-ST Questions**") for companies to answer in their Corporate Governance Report. The SGX-ST Questions are reflected (in bold and italics) and their answers are incorporated within the report.

(A) BOARD MATTERS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective, and Management remains accountable to the Board.

1. The Board's role is to:
 - a. provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the Company and its subsidiaries (the "**Group**") to meet their objectives; Code Guideline 1.1
 - b. establish a framework of prudent and effective controls which enables risk to be assessed and managed;
 - c. review Management performance;
 - d. identify the key stakeholder groups and recognise that their perceptions affect the Group's assets;
 - e. consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation; and
 - f. set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met.
- 2.1 The Board regularly reviews the business plans and the financial performance of the Group. The Board has overall responsibility for putting in place a framework of good corporate governance in the Group, including the processes for financial reporting and compliance. Code Guideline 1.2
- 2.2 All Board members bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct.

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

Guideline 1.5:

Code Guideline
1.5

What are the types of material transactions which require approval from the Board?

3. The Board's approval is required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance, dividends policy and major corporate policies on key areas of operation, the release of quarterly, half yearly and full year results and interested person transactions of a material nature.

Guideline 1.6:

Code Guideline
1.6

Are new directors given formal training? If not, please explain why.

- 4.1 Incoming new Directors are familiarised with the Group's businesses and corporate governance practices upon their appointment to facilitate the effective discharge of their duties.
- 4.2 All the incoming directors will receive comprehensive and tailored induction on joining the Board. It includes his duties as a director and how to discharge those duties.

Guideline 1.6:

What are the types of information and training provided to:

(i) new directors and

(ii) existing directors to keep them up-to date?

- 4.3 Incoming directors attend a series of classes which are organized by the professional institution. A discussion will be arranged to the incoming directors after the classes are finished. The Company also provides the incoming directors relevant books which touch on the Company's business and governance practices to read and familiarize themselves with. Such relevant books include relevant new laws, regulations; changing commercial risks and industry-specific knowledge which are incoming directors receive through attending online classes or specific training.
- 4.4 To keep Directors up-to-date, the Company provides to Directors information regarding market conditions, the company business, and relevant regulations. Directors are also provided with training in the following areas: management, laws and regulations, specialized knowledge, and others.

5. A formal letter is provided to each Director upon his appointment, setting out the Director's duties and obligations.

Code Guideline
1.7

- 6.1 The Board has established the Audit Committee (the "AC"), Remuneration Committee (the "RC") and Nominating Committee (the "NC") (collectively, the "Board Committees") and Management Committee (the "MC").

Code Guideline
1.3

- 6.2 These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis by the Board.

- 6.3 The Board also constantly reviews the effectiveness of each Board Committee.

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

Management Committee (MC)

The MC has the responsibility of assisting our Board in coordinating, supervising and managing the operations of the Group. As at the date of this Report, the MC comprises the following members:-

Mr Zang Lizhong	(Chairman and Executive Director)
Ms Zang Xiufen	(Nominee of Zang Ligen)
Ms Shi Hui	(Manager, Finance Department)

The MC has adopted its own terms of reference that describe the responsibilities of its members.

- 7.2 The Board meets on a regular basis and as and when necessary to address any specific significant matters. Code Guideline 1.4
- 7.3 Ad-hoc meetings will be convened to deliberate on urgent substantive matters when necessary. Attendance by means of telephone and conference via audio-visual communications at Board meetings is allowed under the Company's Articles of Association.
8. The number of Board and Board Committee meetings held during the financial year ended 31 December 2014 ("FY2014") and the attendance of Directors during these meetings is set out as follows: Code Guideline 1.4

Name	Board		AC		RC		NC	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr Zang Ligen	4	4	4	3	1	1	1	1
Mr Zang Lizhong	4	3	4	2	N.A	N.A	N.A	N.A
Mr Zang Ligu	4	2	4	1	N.A	N.A	N.A	N.A
Mr Zhao Qinghua	4	2	4	1	1	1	1	1
Mr Ong Tiew Siam	4	4	4	4	1	1	1	1
Mr Chua Hung Meng	4	4	4	4	1	1	1	1

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Guideline 2.1:

Code Guideline 2.1

Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

9. The Board comprises three (3) Executive Directors and three (3) Independent Non-Executive Directors.

The Board as at the date of this Report comprises:-

Name	Appointment	Date of Appointment	Date of last re-election
Mr Zang Ligen	(Executive Chairman)	10 June 2004	30 April 2012
Mr Zang Lizhong	(Executive Director)	24 August 2005	29 April 2013
Mr Zang Ligu	(Executive Director)	24 August 2005	30 April 2014
Mr Ong Tiew Siam	(Lead Independent Director) ⁽¹⁾	30 May 2005	30 April 2012
Mr Zhao Qinghua	(Independent Director)	24 August 2005	30 April 2014
Mr Chua Hung Meng	(Independent Director)	24 August 2005	29 April 2013

Code Guideline
2.2 & 4.6

Notes:

- (1) Mr Ong Tiew Siam has been appointed as the Lead Independent Director on the 1 April 2014.

The detailed profiles of the Directors are set out on pages 8 to 11 of this Annual Report.

- 10.1 There is presently a good balance between the Executive and Non-Executive Directors and a strong and independent element on the Board.
- 10.2 The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, legal, finance and management skills critical to the Group's business to enable the Board to make sound and well-considered decisions.

Guideline 2.3:

Code Guideline
2.3, 2.4 & 4.3

- (a) *Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.*
- (b) *What are the Board's reasons for considering him independent? Please provide a detailed explanation.*

- 10.3 The Board considers an "Independent" Director as a Director who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Group.

The dates of the appointments of the Independent Directors of the Company are as follows:

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

The Independent Directors are as follows:

Name	Date of Appointment
Mr Ong Tiew Siam	30 May 2005
Mr Zhao Qinghua	24 August 2005
Mr Chua Hung Meng	24 August 2005

For the year under review, the Nominating Committee of the Company (“NC”) had assessed the independence of each Director and is of the opinion that Mr Ong Tiew Siam, Mr Zhao Qinghua and Mr Chua Hung Meng continues to be independent. Each member of the NC had abstained from deliberations in respect of the assessment on his own independence.

- 10.4 It should be noted that Mr Ong Tiew Siam is not seeking re-election after his term is over. The Company will use its best endeavours to fill the vacancy following the retirement of Mr Ong as soon as practicable. The election of the new independent director of the Company will be announced in due course.
- 10.5 The Company notes that notwithstanding that the Independent Directors had served on the Board for more than 9 years, the Company is of the view that they remain independent for the following reasons:
1. the Independent Directors had consistently performed their duties to their best efforts and in the best interests of the Company, and their performance are scrutinized through the individual evaluation exercise yearly;
 2. the Company had not been informed of any situations where the Independent Directors had been non-compliant to the policies and rules of the Company; and
 3. the Company subjects the Independent Directors to rigorous review through the appointment system employed by the Company with regards to re-appointment of Independent Directors.
- 10.6 Furthermore, the NC has evaluated the Board and has found that no individual or small group of individuals dominate the Board’s decision making process.

Guideline 2.6:

Code Guideline
2.6

- What is the Board's policy with regard to diversity in identifying director nominees?*
- (Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.*
- What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?*

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

- 11.1 As a group, the Directors bring with them a broad range of industry knowledge, expertise and experience. Each Director has been appointed based on the strength of his calibre, experience and potential to contribute to the Company and its businesses. The Directors bring valuable insights from different perspectives vital to the strategic interests of the Company.
- 11.2 The Board and NC have strived to ensure that members possess the background, experience, knowledge and skills necessary to promote the Company's business and governance process, so as to enable the Board to make balanced and well-considered decisions. The Board and the NC are of the view that its Directors as a group possess the necessary competencies necessary to lead and govern the Company effectively.
- 11.3 To achieve balance and diversity within the Board, the Directors come from different industries. Each of them has high-level management knowledge, experience and relevant skills. Training is also provided to the Directors to improve efficiency of the Board.
- 11.4 When necessary, the non-executive Directors will have discussions amongst themselves without the presence of the Management. Code Guideline 2.8
12. Although all the Directors have an equal responsibility for the Group's operations, the role of the independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take account of the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Non-Executive Directors help to develop proposals on strategy. The Non-Executive Directors also review the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance. Code Guideline 2.7
-
- Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives for managing the company's business. No one individual should represent a considerable concentration of power.**
-
- 13.1 There is a clear division of responsibilities at the top management with clearly defined lines of responsibility between the Board and executive functions of the Management of the Company's business. The Board sets broad business guidelines, approves financial objectives and business strategies and monitors the standards of executive management performance on a periodic basis.
- 13.2 There is a distinct separation of responsibilities between the Executive Chairman and Chief Executive Officer (the "CEO") to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. Mr Zang Ligen, the Executive Chairman, is consulted on the Group's strategic direction and formulation of policies. The daily operation of the Group is led by the CEO, Mr Zhang Jianliang. He is assisted by a team of experienced and qualified executive officers of the Group. Code Guideline 3.1
- 14.1 The Executive Chairman's primary function is to manage the business of the Board and the Board Committees and to promote harmonious relations with the shareholders. The Executive Chairman's role with regard to the Board proceedings is as follows: Code Guideline 3.2 & 3.3
- (a) schedule meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
 - (b) set meeting agendas;

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

- (c) exercise control over quality, quantity and timeliness of the flow of information between Management and the Board;
- (d) assist in ensuring compliance with the Group's guidelines on corporate governance; and
- (e) monitor communications and relations between the Company and its shareholders, between the Board and Management, and between Executive and Non-Executive Directors and independent and non-independent Directors, with a view to encouraging constructive relations and dialogue amongst them. Since the Chairman is not an independent director, Mr. Ong Tiew Siam is appointed to be the lead Independent Director. He's available to shareholders when they have concerns and for which contact through the normal channels of the Chairman, the CEO or the chief financial officer (or equivalent) (the "CFO") has failed to resolve or is inappropriate. Upon Mr. Ong Tiew Siam's retirement as the independent director of the Company, the Company will with the recommendation of the NC appoint another lead independent director to take over the duties of Mr. Ong Tiew Siam.

14.2 When necessary, the Independent Directors will have discussions amongst themselves without the presence of the Management.

Code Guideline
3.4

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

15.1. Nominating Committee (NC)

The NC comprises the following Independent Directors:

Mr Zhao Qinghua	(Chairman)
Mr Ong Tiew Siam	(Lead Independent Director)
Mr Chua Hung Meng	

Code Guideline
4.1

The NC meets at least once annually. The Chairman of the NC is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company.

Code Guideline
4.1

15.2. The NC has adopted its own terms of reference in compliance with the Code that describe the responsibilities of its members. Amongst them, the NC is responsible for making recommendations to the Board on all board appointments.

Code Guideline
4.1

16.1. The primary function of the NC is to determine the criteria for identifying candidates and to review nominations for the appointment of Directors to the Board, to consider how the Board's performance may be evaluated and to propose objective performance criteria for the Board's approval. Its duties and functions are outlined as follows:

Code Guideline
4.2

- (a) to make recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board;

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

- (b) to regularly review the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary;
- (c) to be responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent. This includes disclosure on the search and nomination process;
- (d) to make plans for succession, in particular for the Executive Chairman and the CEO;
- (e) to determine, on an annual basis, if a Director is independent;
- (f) to make recommendations to the Board for the continuation (or not) in services of any Director who has reached the age of 70 years;
- (g) to recommend Directors who are retiring by rotation to be put forward for re-election having regard to the Director's contribution and performance (eg. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director;
- (h) to decide whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations;
- (i) the NC shall recommend to the Board internal guidelines to address the competing commitments faced by Directors who serve on multiple boards;
- (j) to be responsible for assessing the effectiveness of the Board as a whole via a performance evaluation conducted based on performance criteria set by the NC and approved by the Board and for assessing the contribution of each individual Director to the effectiveness of the Board; and
- (k) the Chairman of the NC would act on the results of the performance evaluation, and where appropriate, propose new members be appointed to the Board or seek the resignation of Directors, in consultation with the NC.

The NC reviews the size of the Board on an annual basis, and considers the present Board size as appropriate for the current scope and nature of the Group's operations.

Code Guideline
2.5

- 16.2. Under the Company's Articles of Association, at least one third of the Company's Directors are required to retire from office at every Annual General Meeting of the Company. Every Director must retire from office at least once every three (3) years and are eligible for re-election.

Code Guideline
4.2

17. The NC is also responsible for determining annually, the independence of Directors. In doing so, the NC takes into account the circumstances set forth in Guidelines 2.3 and 2.4 of the Code and any other salient factors. Following its annual review, the NC has endorsed the independent status of Mr Ong Tiew Siam, Mr Chua Hung Meng and Mr Zhao Qinghua.

Code Guideline
4.3

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

18. The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments. This matter is reviewed on an annual basis by the NC.

Code Guideline
4.4

Guideline 4.6:

Code Guideline
4.6

Please describe the board nomination process for the Company in the last financial year for:

(i) selecting and appointing new directors and

(ii) re-electing incumbent directors.

- 19.1 In its search, nomination and selection process for new Directors, the NC identifies the key attributes that an incoming Director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of Directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed to assist in the search process. Interviews are set up with potential candidates for NC members to assess them, before a decision is reached.

- 19.2 The Chairman of the Board will give feedback to the NC on the appointment of new Directors or retirement or resignation of existing Directors, following the outcome of an annual performance evaluation of individual Directors, and the NC will take into consideration his views in this regard.

- 19.3 The process for the board nomination is done at the AGM. The Chairman will call out the Director's name who is going to be elected at the AGM and require if the shareholders second the motion. Shareholders will vote by hands. When a Director gets a majority of the shareholders' votes, the Chairman will declare the motion carried, and the Director will be nominated to the Board.

Code Guideline
4.6

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

Guideline 5.1:

What was the process upon which the Board reached the conclusion on its performance for the financial year?

- 20.1 The Board has implemented a process for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board.

Code Guideline
5.1, 5.2

- 20.2 The appraisal process requires the Directors to complete appraisal forms which will be collated by an independent coordinator who will compile the results of the appraisal for review by the NC. The NC will thereafter report to the Board. Such an appraisal process was carried out in respect of financial year 2014.

Code Guideline
5.1

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

- 20.3 For the year under review, the NC has evaluated and discussed the results of individual Directors' assessment of the Board's performance and effectiveness as a whole.

Guideline 5.1:

Has the Board met its performance objectives?

- 20.4 The Board has met its performance objectives and it is noted that the Board members have performed their duties, abided by the regulations, and are active in meetings and in their management duties.

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Code Guideline
6.1, 6.2 & 6.3

Guideline 6.1:

What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?

21. The Board has separate and independent access to senior management of the Company, the Company Secretary, the internal auditors and the external auditors at all times.

Requests for information from the Board are dealt with promptly by Management. The Board is informed of all material events and transactions as and when they occur.

Directors are given Board papers in advance of meetings for them to be adequately prepared for meetings and senior management are, where necessary, in attendance at the Board meetings.

The Company Secretary attends all Board, AC, RC and NC meetings and prepares the minutes of these meetings. The Company Secretary also assists the Chairman in ensuring that Board procedures are followed in accordance with the Company's Articles of Association so that the Board functions effectively as well as ensures that the relevant rules and regulations applicable to the Company are complied with.

22. Each Director has the right to seek independent legal and other professional advice, where necessary, in order to fulfill their duties and responsibilities as Directors. Any expense incurred in this aspect shall be borne by the Group.
23. The Board receives from the Management regular updates and financial information which present a balanced and understandable assessment of the Company's performance, position and prospects. The Chief Financial Officer circulates monthly reports to the AC which includes the profit and loss statement, balance sheet and cash flow statement of the Group, transactions between the Group and any interested person (namely, the Directors of the Company or any of the Controlling Shareholders or their Associates) and latest corporate developments.
24. Under the Articles of Association of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

Code Guideline
6.5

Code Guideline
10.3

Code Guideline
6.4

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

(B) REMUNERATION MATTERS (RC)

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

25. The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual Directors and senior management.

Remuneration Committee

The RC comprises the following Independent Directors:

Code Guideline
7.1

Mr Chua Hung Meng (Chairman)
Mr Ong Tiew Siam
Mr Zhao Qinghua

The RC meets at least once annually. The RC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of its members.

26. The principal responsibilities of the RC are:

- (a) recommending to the Board for endorsement, a framework of computation of Directors' fees of the Board, as well as remuneration of Executive Directors, CEO and senior management. For Executive Directors, CEO and such senior management, the framework covers all aspects of executive remuneration (including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind); and
- (b) recommending the specific remuneration packages for each Director, CEO and senior management, based on their performance for the year.

Code Guideline
7.2

Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package. The RC will be provided with access to expert professional advice on remuneration matters, as and when necessary. The expenses of such services shall be borne by the Company.

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

27.1 In structuring a compensation framework for Executive Directors and key executives, the RC seeks to link a proportion of the relevant executive's compensation to the Group's performance. The RC's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. Code Guideline 8.1

27.2 An appropriate and attractive level of remuneration has been set to attract, retain and motivate Directors and staff. The remuneration package is made up of both fixed and variable components. The variable component is determined based on the performance of the individual employee as well as the Group's performance. Annual increments and adjustments to remuneration are reviewed and approved taking into account the results of the annual review made by the Executive Directors and the various heads of department. All Non-Executive Directors are paid Directors' fees that are subject to shareholders' approval at the Annual General Meetings.

27.3 The service contracts for Executive Directors are for fixed appointment periods which are not excessively long and they do not contain onerous removal clauses. Notice periods are generally six (6) months or less in service contracts for Executive Directors and in the terms of employment of senior management. The RC is responsible for reviewing the compensation commitments, if any, that the Directors' contracts of service entail in the event of early termination. Code Guideline 8.1

Guideline 9.2:

Code Guideline 9.1, 9.2, 9.3 & 9.4

Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?

Guideline 9.3:

(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?

(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

28.1 DISCLOSURE ON REMUNERATION

	Salary (%)	Bonus (%)	Benefits (%)	Director Fees (%)	Total (%)
Directors					
<u>Between S\$250,000 and S\$500,000</u>					
Zang Ligen	41.11	58.89	—	—	100
<u>Below S\$250,000</u>					
Zang Lizhong	48.77	51.23	—	—	100
Zang Ligu	100	—	—	—	100
Ong Tiew Siam	—	—	—	100	100
Chua Hung Meng	—	—	—	100	100
Zhao Qinghua	—	—	—	100	100
Key Executives					
<u>Between S\$250,000 and S\$500,000</u>					
Zhang Jianliang	29.72	70.28	—	—	100
<u>Below S\$250,000</u>					
Zhang Jinli	100	—	—	—	100
Liu Baoxing	100	—	—	—	100
Ji Guofu	100	—	—	—	100
Song Zhaoyi	100	—	—	—	100
Zhang Mingxin	100	—	—	—	100

Disclosure of remuneration

- 28.2 Given the confidentiality and commercial sensitivity attached to remuneration matters, the remuneration of each individual director and the Chief Executive Officer ("CEO") and the aggregate remuneration paid to the Company's top five key management personnel (who are not Directors / the CEO) would not be disclosed. Also, the Company believes that due to commercial sensitivity, the remuneration of each individual Director and CEO shall not be disclosed fully but instead in bands as reflected in the table above.

Code Guideline
9.2

Immediate Family Members of Directors or CEO

Guideline 9.4:

Code Guideline
9.4

Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

There are no immediate family members of Directors or CEO in employment with the Group and whose remuneration exceeds S\$50,000 during FY2014.

Guideline 9.6:

Code Guideline
9.6

- (a) *Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.*
- (b) *What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?*
- (c) *Were all of these performance conditions met? If not, what were the reasons?*

- 28.3 The remuneration plan of Directors and key management is made based on their responsibility, importance of their roles, and other companies' relative positions' remuneration.
- 28.4 The performance conditions of the Directors were evaluated based on their personal character, attitude, abilities and their contributions to the Company.
- 28.5 The Company believes that the performance conditions were met accordingly by each of the executive directors and key management personnel.

(C) ACCOUNTABILITY AND AUDIT

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

- 29.1 The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position, prospects, operations and financial position and updates shareholders through the quarterly, half yearly and full year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. Code Guideline
10.1
- 29.2 The Board has taken adequate steps to ensure that there is compliance towards the legislative and regulatory requirements. The Board seeks the confirmation of the Company's legal advisors before deciding on significant matters. Code Guideline
10.2
- 29.3 The Management provides explanation and information to the Board in each board meetings on its performance, position and prospects and believes that such is sufficient for the Board to make a balanced and informed assessment of the Company's performance, position and prospects. Code Guideline
10.3

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

Principle 11 The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

30. The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

Code Guideline
11.1 & 11.2

Guideline 11.3:

In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.

Code Guideline
11.3, 11.4

- 31.1 The AC and the Board have reviewed the Company's risk assessment based on the reports of the internal auditor and external auditors and are assured that adequate Internal Controls, including financial, operational and compliance control and risk management, are in place and are effective.

Guideline 11.3:

In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that:

- (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and*
- (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?*

- 31.2 The Board confirms that based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, the Board is of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls, and risk management systems, were adequate and effective.

- 31.3 The Board further confirms that it has received assurance from both the CEO, Mr Zhang Jianliang and the Chief Financial Officer, Mr Zhang Jinli that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances and the company's risk management and internal control systems are effective.

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

Principle 12: The Board should establish an Audit Committee with written terms of reference, which clearly set out its authority and duties.

32. Audit Committee (AC)

The AC comprises the following Independent Directors:

Mr Ong Tiew Siam (Chairman)
Mr Zhao Qinghua
Mr Chua Hung Meng

The AC has adopted its own terms of reference in compliance with the Code that describes the responsibilities of its members.

Code Guideline
12.1

33. The AC held four (4) meetings during FY2014. These meetings were attended by the Chief Financial Officer. The CEO, internal auditors and external auditors were also invited to attend some of these meetings. The AC has also met the external auditors without the presence of the Management during the financial year.

Code Guideline
12.5

34. The Board is of the view that the AC members are appropriately qualified in that they have sufficient accounting or related financial management expertise and experiences to discharge the AC's function. The AC is kept abreast by the Management and the external auditors of changes to accounting standards, Listing Rules of the SGX-ST and other regulations which could have an impact on the Group's business and financial statements.

Code Guideline
12.2

35. The AC has written terms of reference endorsed by the Board, setting out their duties and responsibilities. The AC is authorised by the Board to investigate any matter within its terms of reference and has full access to, and co-operation of Management, with full discretion to invite any Director or executive officer to attend its meetings. It has reasonable resources to enable it to discharge its functions properly. During the meetings of the AC held during the financial year, the AC performed its functions and responsibilities, where necessary, as set out in its terms of reference, which include the following:

Code Guideline
12.3 & 12.4

- (a) reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- (b) reviewing the nature and extent of the external auditors' non-audit services to the Group, seeking to balance the maintenance of objectivity and value for money;
- (c) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- (d) reviewing the adequacy of the Group's internal financial controls, operational and compliance controls, and risk management policies and systems (hereinafter referred to collectively as "Internal Controls");
- (e) reviewing the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures;

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

- (f) making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
 - (g) reviewing the external auditors' audit plan, audit report and the evaluation of the system of internal accounting controls with the external auditors, as well as the assistance given by Management to the external auditors;
 - (h) reviewing the quarterly, half-yearly and full year financial statements of the Group, prior to their submission to the Board;
 - (i) reviewing the co-operation given by the Management to the auditors;
 - (j) reviewing and approving interested person transactions;
 - (k) reviewing any potential conflict of interests;
 - (l) reviewing regularly all hedging policies, all types of instruments used for hedging and foreign exchange policies and practices of the Group; and
 - (m) to generally undertake such other functions and duties as may be required by law or the Listing Manual of the SGX-ST (the "**Listing Manual**"), and by such amendments made thereto from time to time.
36. Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of Internal Controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position.
37. Management has put in place a whistle-blowing framework, and the AC has endorsed, arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The policy of the Company is for the staff of the Company to send via email to the AC directly if they become aware of any possible improprieties in matters. Thereafter, the AC will collect and determine the information before the AC meeting and deal with such reported Improprieties at the meeting (if any). The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.
- Code Guideline
12.7
- Guideline 12.6:**
- Code Guideline
12.6
- (a) ***Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.***
 - (b) ***If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.***

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

38. In respect of the audit for the financial year ended 31 December 2014, the Company paid RMB 705,414 (S\$150,270) as audit fees to Deloitte & Touche LLP, the external auditors. The AC, having reviewed the range and value of non-audit services provided by the external auditors during the year which amounted to RMB63,475 (S\$13,522) or 9.0% of the audit fees, was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC recommends to the Board the nomination of the external auditors for re-appointment at the forthcoming AGM.

The AC is satisfied that the Company has complied with Rules 712 and 716 of the Listing Manual of the SGX-ST in relation to its auditing firms. Pursuant to Rule 716(1) of the Listing Manual, the Board and the AC are satisfied that the appointment of different auditors for the subsidiaries would not compromise the standard and effectiveness of the audit of the Company. The details of the auditors are outlined in Note13 to the financial statements.

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

Guideline 13.1:

Code Guideline
13.1, 13.2, 13.3 & 13.4

Does the Company have an internal audit function? If not, please explain why.

39. The Company has appointed Messrs UHY Lee Seng Chan & Co, a firm of certified public accountants, as the internal auditor of the Company and has implemented internal reviews, to ensure that the system of internal controls maintained by the Company is sufficient to provide reasonable assurance that the Company's assets are safeguarded against loss from unauthorised use or disposal, transactions are properly authorised and proper financial records are being maintained. The internal auditors are required to adopt the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

40. The internal auditor has a direct and primary reporting line to the AC and assists the Board in monitoring and managing risks and internal controls of the Group. The AC approves the internal audit plan and ensures the adequacy of internal audit resources during the first AC meeting each year.

Code Guideline
13.1

41. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company.

Code Guideline
13.3

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

Guideline 15.4:

Code Guideline
14.1, 15.2 & 15.4

- (a) ***Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?***
- (b) ***Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?***
- (c) ***How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?***

42. The Company recognises the importance of providing the Board with a continual flow of relevant information on an accurate and timely basis so that it can discharge its duties effectively. The Company also believes in timely, fair and adequate disclosure of relevant information to shareholders and investors so that they will be apprised of developments that may have a material impact on the Company's securities. The Company does not practice selective disclosure. All information of the Company is published through the SGXNET and where appropriate, through media releases. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure. Information is also available on the Company's website at www.lzwheel.com.

Guideline 15.5:

Code Guideline
15.5

If the Company is not paying any dividends for the financial year, please explain why.

43. In recent years, the Company is focusing on expansion, and has made investments in new plants and production capabilities. This is why there is no paying of dividends.
44. All shareholders of the Company receive the Annual Report and notice of Annual General Meeting. At general meetings of shareholders, shareholders are given the opportunity to voice their views and ask Directors or Management questions regarding the Company's affairs. The Chairmen of the AC, RC, NC and MC will normally be present at the Annual General Meetings to answer any questions relating to the work of these Board Committees. The external auditors are also present at the Annual General Meetings to assist the Directors in answering questions from shareholders.
45. The Group believes in encouraging shareholder participation at general meetings. A shareholder who is entitled to attend and vote may either vote in person or in absentia through the appointment of one (1) or two (2) proxies (who can either be named individuals nominated by the shareholder to attend the meeting or the Chairman of the meeting as the shareholder may select).
46. Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.
47. Minutes of general meetings are minuted in early general meeting of the Company for records and is kept in the registered office of the Company.
48. As the number of shareholders who attend the general meetings is generally not large, it is not cost effective to have voting by poll or electronic polling. The results of the general meeting are released on SGXNET on the same day.

Code Guideline
16.3

Code Guideline
14.2 & 16.1

Code Guideline
16.2

Code Guideline
16.5

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

49. DEALINGS IN SECURITIES

Rule 1207(18) of
the Listing Manual

The Company has adopted its own internal Code of Conduct to provide guidance to all Directors and officers of the Company and its subsidiaries with regard to dealings in the Company's securities in compliance with the Rule 1207(19) of the Listing Manual. The Code of Conduct relates to, *inter alia*, insider trading prohibitions under the Securities and Futures Act, (Cap 289) of Singapore, the disclosure requirements of the SGX-ST and prohibitions on Directors and employees from dealing in the Company's securities during the two (2) weeks immediately preceding, and up to the time of the announcement of, the Company's results for each of the first three quarters of its financial year and during the one (1) month preceding, and up to the time of announcement of, the Company's results for either the half year or the full financial year.

Directors and all officers are also expected to observe insider trading laws at all times even when dealing with securities within the permitted trading period.

The Company notes that its Directors and employees do not deal with the Company's securities on short term considerations.

50. MATERIAL CONTRACTS

Rule 1207(8) of
the Listing Manual

The following material contracts of the Group involving the interest of the Executive Chairman and a Controlling Shareholder subsisted in FY2014:

LOAN AGREEMENT

A loan agreement was (the "Loan Agreement") dated 17 July 2012 was entered into between the Company and Bangkok Bank Public Company Limited (the "Lender") for the maximum facility of US Dollars 60 Million (the "Facility"), under which Li Zhong Investment Limited, a Controlling Shareholder of the Company, is required to enter into a share charge to pledge 150,956,250 of its ordinary shares in the issued and paid-up capital of the Company (the "Charged Shares") to the Lender (the "Share Charge").

The rate of interest applicable to the Facility for each Interest Period is the rate per annum determined by the Lender to be the aggregate of (i) 3.25% per annum (the "Margin") and (ii) the rate determined by the Lender to be the arithmetic mean (rounded upwards to the nearest whole multiple of 1/8 percent) of the respective rates (if two or more) shown on the Reuters Screen as being the rate per annum at which US Dollars deposits are offered for a period of 6 months in the Interbank Market at or about 11:00 a.m. (Singapore time) on the second Banking Day prior to the relevant drawdown date or the relevant last Banking Day of each Interest Period, as the case may be (SIBOR).

The Company shall repay the Facility to the Lender in accordance with the following repayment schedule (a) for the 1st -7th repayments: the last Banking Day of each Interest Period falling in the 24th, 30th, 36th, 42nd, 48th, 54th and 60th month and the repayment amount shall be US Dollars 7,500,000; and (b) for the 8th repayment, the last Banking Day of each Interest Period shall be that falling in the 66th month and the repayment amount shall be the balance of the Facility.

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

The Share Charge provides that Li Zhong Investment Limited, as chargor, shall pay all present and future obligations and liabilities (whether actual or contingent) and whether owed jointly or severally or in any other capacity whatsoever) of the Company when due in accordance with the terms of the Loan Agreement or, if the Loan Agreement does not specify a time for payment, immediately on demand by the Lender. Li Zhong Investment Limited, as chargor must own and control no less than 40 % of the issued share capital in the Company at all times and it shall not (nor shall it agree to) enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, transfer or otherwise dispose of the Charged Shares.

The Loan Agreement provides that in the event the Company completes, inter alia, the registration process with the State Administration of Foreign Exchange ("SAFE") of the share pledge agreement between the Company and the Lendor of the shares held by the Company in Baoding Lizhong Wheel Manufacturing Co., Ltd (the "Baoding Lizhong Share Charge"), together with the approval of SAFE of the Baoding Lizhong Share Charge, the Share Charge may be released and terminated.

At the request of Lizhong Wheel in view of its internal restructuring plans, Bangkok Bank had agreed to the Discharge of Baoding Lizhong Share Pledge on condition, inter alia that Lizhong Wheel enters into the Tianjin Lizhong Share Pledge for securing the payment or discharge of all present and future moneys, debts, liabilities due, owing to Bangkok Bank under or in connection with any loan agreement (in each case whether alone or jointly, or jointly and severally, with any other person, whether actually or contingently, and whether as principal, surety or otherwise).

Pursuant to the terms of the Discharge of Baoding Lizhong Share Pledge and the Tianjin Lizhong Share Pledge, Lizhong Wheel is required to inter alia register the Tianjin Lizhong Share Pledge with the local counterparts of the Ministry of Commerce of the People's Republic of China (the "PRC") and the State Administration of Industry and Commerce of the PRC before 30 April 2014.

The Board, having considered the terms and the rationale for the Loan Agreement and Share Charge, is of the view that the Loan Agreement and Share Charge is in the interest of the Company and its shareholders.

Save as disclosed above, there are no material contracts (including loans) of the Company or its subsidiaries involving the interests of the Executive Chairman and CEO or any Directors or controlling shareholders subsisted at the end of the financial year or had been entered into since the end of the previous financial year.

51. INTERESTED PERSON TRANSACTIONS

Rule 1207(16) of the Listing Manual

A shareholders' mandate (the "**Shareholders' Mandate**") to authorise the Company to enter into transactions with specific categories of interested persons in respect of recurrent transactions of revenue or trading nature or those necessary for the day-to-day operations of the Company was obtained on 23 August 2005. The Shareholders' Mandate has been renewed annually and was last renewed during the Annual General Meeting of the Company held on 30 April 2014.

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

The Shareholders' Mandate was expressed to take effect until the conclusion of the Annual General Meeting of the Company to be held on 29 April 2015 and the Board has proposed that the Shareholder's Mandate be renewed during the Annual General Meeting of the Company on 29 April 2015 to take effect until the conclusion of the next following Annual General Meeting of the Company.

The aggregate value of interested person transactions entered into for the financial year from 1 January 2014 to 31 December 2014 is as follows: -

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under the Shareholders' Mandate pursuant to Rule 920) (RMB'000)	Aggregate value of all interested person transactions conducted under the Shareholders' Mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (RMB'000)
Hebei Lizhong Nonferrous Metals Group Co., Ltd		
- Lease of properties and equipment	-	991
- Purchase of aluminum alloy ingots	-	31,017
- Supply of molten aluminum alloy	-	315,759
- Processing and recycling of rejects and scraps	-	14,686
- Purchase of auxiliary raw materials	-	4,065
- Payment of staff social insurance premiums	1,026	-
- Sale of scraps	-	9,394
Qinhuangdao Development Zone Meilu Alloy Co., Ltd		
- Lease agreement	-	1,190
- Supply of molten aluminum alloy	-	106,389
- Processing and recycling of rejects and scraps	-	5,801
- Supply of water and electricity	-	7,101
Tianjin Lizhong Wheel Co., Ltd.		
- Supply of molten aluminum alloy	-	631,160
- Processing and recycling of rejects and scraps	-	37,088
Baoding Anbaoneng		
- Purchase of equipment	-	3,397
Lizhong Automotive		
- Procurement of sales agent services	-	16,005

CORPORATE GOVERNANCE REPORT

For the financial year ended December 31, 2014

52. RISK MANAGEMENT

The risk factors relating to the Group and risks relating to the PRC were disclosed under “Risk Factors” (pages 31 to 39 of the Company’s prospectus dated 10 October 2005).

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as taking appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board. The financial risk management objectives and policies are outlined in the financial statements.

53. TREASURY SHARES

There are no treasury shares held by the Company as at the end of the financial year ended 31 December 2014.

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DIRECTORS' REPORT

The directors present their report together with the audited consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the financial year ended December 31, 2014.

1 DIRECTORS

The directors of the company in office at the date of this report are:

Zang Ligen
Zang Lizhong
Zang Liguo
Zhao Qinghua
Ong Tiew Siam
Chua Hung Meng

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act except as follows:

DIRECTORS' REPORT

Names of directors and companies in which interests are held	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
<u>The company</u>				
(Ordinary shares)				
Zang Ligen	2,646,600	2,646,600	—	—
Zang Ligu	—	—	150,956,250	150,956,250
Zhao Qinghua	1,250,250	1,250,250	—	—
<u>Holding company</u>				
<u>- Lizhong Investment Ltd</u>				
(Ordinary shares)				
Zang Ligen	1,130	1,130	—	—
Zang Lizhong	1,130	1,130	—	—
Zang Ligu	2,330	2,330	—	—
<u>Subsidiary company</u>				
<u>- New Thai Wheel Manufacturing Ltd</u>				
(Ordinary shares)				
Zang Lizhong	10,000	10,000	—	—
Zang Ligu	10,000	10,000	—	—

By virtue of Section 7 of the Singapore Companies Act, Mr Zang Ligu is deemed to have an interest in all the related corporations of the company.

The directors' interests in the shares of the company at January 21, 2015 were the same at December 31, 2014.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits and certain transactions with corporations in which certain directors have an interest as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and / or executives of those related corporations.

DIRECTORS' REPORT

5 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the company or any corporation in the group were granted.

(b) *Options exercised*

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under options*

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under options.

6 AUDIT COMMITTEE

At the date of this report, the Audit Committee comprises three non-executive and independent directors:

Ong Tiew Siam (Chairman)
Zhao Qinghua
Chua Hung Meng

The financial statements, accounting policies and system of internal accounting controls are the responsibility of the Board of Directors acting through the Audit Committee.

During the financial year, the Audit Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors, and the external and internal auditors of the company:

- (a) the audit plans and results of the internal auditors' examination and evaluation of the group's systems of internal accounting controls;
- (b) the external auditors' audit plan;
- (c) the group's financial and operating results and accounting policies;
- (d) the statement of financial position and statement of changes in equity of the company and the consolidated financial statements of the group before their submission to the Board of Directors and external auditors' report on those financial statements;
- (e) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the company and the group;
- (f) the co-operation and assistance given by the management to the group's external auditors;
- (g) interested person transactions; and
- (h) the re-appointment of the external auditors of the group.

DIRECTORS' REPORT

The Audit Committee has full access to and has the co-operation of management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the group at the forthcoming AGM of the company.

7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Ong Tiew Siam

Zang Ligen

April 2, 2015

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company as set out on pages 50 to 109 are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at December 31, 2014, and of the results, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

Ong Tiew Siam

Zang Ligen

April 2, 2015

INDEPENDENT AUDITORS' REPORT

To the Member of Lizhong Wheel Group Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of Lizhong Wheel Group Ltd. (the "company") and its subsidiaries (the "group") which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at December 31, 2014, the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 50 to 109.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT

To the Member of Lizhong Wheel Group Ltd.

Opinion

In our opinion, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at December 31, 2014 and of the results, changes in equity and cash flows of the group and changes in equity of the company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

Public Accountants and
Chartered Accountants
Singapore

April 2, 2015

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2014

		Group		Company	
	Note	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
<u>ASSETS</u>					
Current assets					
Cash and bank balances	7	302,282	257,443	6,212	10,564
Trade receivables	8	1,010,250	1,005,580	—	—
Other receivables and prepayments	9	199,059	84,393	—	—
Amount due from subsidiaries	10	—	—	5,878	226
Loans to subsidiaries	16	—	—	93,060	45,390
Derivative financial instruments	11	13	12,221	—	—
Inventories	12	462,824	353,190	—	—
Total current assets		1,974,428	1,712,827	105,150	56,180
Non-current assets					
Investment in subsidiaries	13	—	—	553,016	551,490
Investment in joint venture	14	—	—	—	—
Available-for-sale investment	15	—	—	—	—
Loans to subsidiaries	16	—	—	209,426	284,552
Prepaid lease payments	9	73,570	75,345	—	—
Prepayment for construction-in-progress	9	41,339	36,663	—	—
Property, plant and equipment	17	835,336	745,996	—	—
Intangible assets	18	13,600	20,992	—	—
Deferred tax assets	23	1,262	1,262	—	—
Total non-current assets		965,107	880,258	762,442	836,042
Total assets		2,939,535	2,593,085	867,592	892,222

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2014

		Group		Company	
	Note	2014	2013	2014	2013
		RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES AND EQUITY					
Current liabilities					
Short-term loans	19	608,155	339,183	—	—
Current portion of long-term loans	19	123,117	70,808	93,060	45,390
Trade payables	20	742,975	741,282	—	—
Other payables	21	162,465	129,308	6,977	7,839
Derivative financial instruments	11	22	99	—	—
Income tax payable		3,780	1,723	—	—
Deferred income	22	6,754	6,640	—	—
Total current liabilities		1,647,268	1,289,043	100,037	53,229
Non-current liabilities					
Deferred income	22	3,256	3,062	—	—
Long-term loans	19	415,109	495,906	232,116	317,023
Deferred tax liabilities	23	13,004	10,340	—	—
Total non-current liabilities		431,369	509,308	232,116	317,023
Capital, reserves and non-controlling interests					
Share capital	24	140,500	140,500	140,500	140,500
Capital reserve	30	73,294	56,919	—	—
Translation reserve	31	(4,104)	(6,730)	—	—
Hedging reserve	32	(3,262)	10,388	—	—
Other reserve	33	1,177	1,177	—	—
Retained earnings		608,967	537,427	394,939	381,470
Equity attributable to owners of the company		816,572	739,681	535,439	521,970
Non-controlling interests		44,326	55,053	—	—
Total equity		860,898	794,734	535,439	521,970
Total liabilities and equity		2,939,535	2,593,085	867,592	892,222

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended December 31, 2014

	Note	Group	
		2014 RMB'000	2013 RMB'000
Revenue	25	2,909,666	2,695,234
Cost of sales		(2,429,480)	(2,336,542)
Gross profit		480,186	358,692
Other income	26	28,291	31,699
Distribution and selling costs		(108,769)	(89,198)
Administrative expenses		(233,771)	(171,499)
Other operating expenses		(2,454)	(8,084)
Share of loss of joint venture	14	—	(101)
Finance costs	27	(48,002)	(34,914)
Profit before tax		115,481	86,595
Income tax	28	(24,689)	(12,712)
Profit for the year	29	90,792	73,883
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss			
Fair value (loss) gain on derivative financial instruments	11	(13,650)	9,428
Exchange differences on translation of foreign operations		2,626	(2,734)
Total comprehensive income for the year, net of tax		79,768	80,577
Profit for the year attributable to:			
Owners of the company		87,915	70,294
Non-controlling interests		2,877	3,589
		90,792	73,883
Total comprehensive income for the year attributable to:			
Owners of the company		76,891	76,988
Non-controlling interests		2,877	3,589
		79,768	80,577
Earnings per share (in RMB cents):			
Basic	34	37.41	29.91
Diluted	34	37.41	29.91

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended December 31, 2014

	Share capital RMB'000	Hedging reserve RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Attributable to owners of the company RMB'000	Non-controlling interests RMB'000	Total RMB'000
<u>Group</u>									
Balance at January 1, 2013	140,500	960	52,735	(3,996)	—	471,317	661,516	27,653	689,169
Total comprehensive income for the year	—	—	—	—	—	70,294	70,294	3,589	73,883
Profit for the year	—	9,428	—	(2,734)	—	—	6,694	—	6,694
Other comprehensive income for the year	—	9,428	—	(2,734)	—	70,294	76,988	3,589	80,577
Total	—	9,428	—	(2,734)	—	70,294	76,988	3,589	80,577
Transaction with owners, recognised directly in equity									
Dividends payable to non-controlling shareholder	—	—	—	—	—	—	—	(1,868)	(1,868)
Appropriation to capital reserve	—	—	4,184	—	—	(4,184)	—	—	—
Capital injection from a non-controlling shareholder of subsidiary	—	—	—	—	—	—	—	980	980
Acquisition of non-controlling interests in a subsidiary (Note 13)	—	—	—	—	—	—	—	(224)	(224)
Non-controlling interests in a newly acquired subsidiary (Note 35)	—	—	—	—	—	—	—	9,100	9,100
Effect of dilution of interest in subsidiary (Note 13)	—	—	—	—	1,177	—	1,177	15,823	17,000
Total	—	—	4,184	—	1,177	(4,184)	1,177	23,811	24,988
Balance at December 31, 2013	140,500	10,388	56,919	(6,730)	1,177	537,427	739,681	55,053	794,734

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended December 31, 2014

	Share capital RMB'000	Hedging reserve RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Attributable to owners of the company RMB'000	Non-controlling interests RMB'000	Total RMB'000
<u>Group</u>									
Balance at January 1, 2014	140,500	10,388	56,919	(6,730)	1,177	537,427	739,681	55,053	794,734
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	87,915	87,915	2,877	90,792
Other comprehensive income for the year	-	(13,650)	-	2,626	-	-	(11,024)	-	(11,024)
Total	-	(13,650)	-	2,626	-	87,915	76,891	2,877	79,768
Transaction with owners, recognised directly in equity									
Dividends payable to non-controlling shareholder	-	-	-	-	-	-	-	(1,151)	(1,151)
Appropriation to capital reserve	-	-	16,375	-	-	(16,375)	-	-	-
Acquisition of non-controlling interests in a subsidiary (Note 13)	-	-	-	-	-	-	-	(12,453)	(12,453)
Total	-	-	16,375	-	-	(16,375)	-	(13,604)	(13,604)
Balance at December 31, 2014	140,500	(3,262)	73,294	(4,104)	1,177	608,967	816,572	44,326	860,898

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended December 31, 2014

	Share capital RMB'000	Retained earnings RMB'000	Total RMB'000
<u>Company</u>			
Balance at January 1, 2013	140,500	360,645	501,145
Profit for the year, representing total comprehensive income for the year	—	20,825	20,825
Balance at December 31, 2013	140,500	381,470	521,970
Profit for the year, representing total comprehensive income for the year	—	13,469	13,469
Balance at December 31, 2014	140,500	394,939	535,439

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended December 31, 2014

	Group	
	2014	2013
	RMB'000	RMB'000
Operating activities		
Profit before income tax	115,481	86,595
Adjustments for:		
Unrealised foreign exchange loss(gain)	7,980	(10,383)
Impairment loss on available-for-sale investment	—	6,707
Share of loss of joint-venture	—	101
Depreciation of property, plant and equipment	87,285	70,757
Interest income	(5,548)	(4,663)
Finance costs	48,002	34,914
Notional income on interest-free government loans included in government grant income	(6,594)	(6,602)
Bargain purchase gain (Note 35)	—	(7,744)
Allowance for doubtful debts	47	39
Allowance for inventory	430	—
Inventories written off	2,656	2,630
Amortisation of intangible assets	7,392	2,006
Loss on disposal of property, plant and equipment	1,115	358
Gain from the settlement of derivative financial instruments	(924)	(280)
Prepaid lease payments released to the profit or loss	1,775	1,565
Fair value (gain) loss on derivative instruments	(77)	99
Operating cash flows before movements in working capital	259,020	176,099
Trade receivables	(6,580)	(163,876)
Other receivables and prepayments	(109,700)	8,158
Inventories	(111,467)	(6,689)
Trade payables	1,358	18,514
Other payables (Note A)	35,468	25,486
Cash generated from operations	68,099	57,692
Interest received	2,291	994
Income taxes paid	(17,646)	(13,752)
Net cash from operating activities	52,744	44,934

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended December 31, 2014

	Group	
	2014	2013
	RMB'000	RMB'000
Investing activities		
Cash of a new subsidiary at the date of acquisition (Note 35)	—	747
Proceeds from disposal of property, plant and equipment	502	342
Property, plant and equipment purchased and paid (Note A)	(193,286)	(126,314)
Net cash used in investing activities	(192,784)	(125,225)
Financing activities		
Acquisition of non-controlling interests in a subsidiary (Note B)	—	(224)
Dividend paid to non-controlling shareholders	(1,151)	(2,148)
Repayments of borrowings	(844,295)	(394,904)
New bank loans raised	1,079,898	536,179
Interest paid	(49,654)	(39,819)
Pledged cash placed with banks	(31,506)	(13,012)
Receipt of contribution from non-controlling interests	—	980
Net cash from financing activities	153,292	87,052
Net increase in cash and cash equivalents	13,252	6,761
Cash and cash equivalents at beginning of year	136,988	130,303
Effects of exchange rate changes on the balance of cash held in foreign currency	81	(76)
Cash and cash equivalents at end of year (Note 7)	150,321	136,988

Note A:

In 2014, total additions of property, plant and equipment was RMB174,347,000(2013 : RMB180,314,000), including interest of RMB1,241,000 (2013 : RMB6,641,000) capitalised as cost of construction and an amount of RMB38,189,000 (2013: RMB53,693,000) remained unpaid as at end of the reporting period. The group had also prepaid plant and equipment amounting to RMB41,339,000 (2013 : RMB36,663,000) at the end of the reporting period. Included in the assets acquired and liabilities assumed as the result of the acquisition of a subsidiary (Note 35) in 2013 was a payable relating to purchase of plant and equipment of RMB3,304,000.

Note B:

During the year, Tianjin Lizhong Wheel Co., Ltd acquired additional 10% equity interest in a subsidiary from the non-controlling interest for RMB12,453,000. The amount remained unpaid as at end of the reporting period (Note 21).

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

1 GENERAL

The company (Registration No. 200407196C) is incorporated in Singapore with its registered office at 80 Raffles Place #32-01 UOB Plaza Singapore 048624 and its principal place of business at No. 948 East Qiyi Road, Baoding, Hebei 071000, The People's Republic of China. The company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Renminbi ("RMB").

The principal activity of the company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements respectively.

The consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the year ended December 31, 2014 were authorised for issue by the Board of Directors on April 2, 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2014, the group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the group's and company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as disclosed below:

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In September 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements*, FRS 112 *Disclosure of Interests in Other Entities*, FRS 27 (as revised in 2011) *Separate Financial Statements* and FRS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to FRS 110, FRS 111 and FRS 112 were issued to clarify certain transitional guidance on the first-time application of these Standards.

In the current year, the group has applied for the first time FRS 110, FRS 112, FRS 27 (as revised in 2011) and FRS 28 (as revised in 2011) together with the amendments to FRS 110, FRS 111 and FRS 112 regarding the transitional guidance.

Other than as disclosed below, the application of the new and revised standards has not had any material impact on the amounts recognised in the consolidated financial statements.

Impact of the application of FRS 112

FRS 112 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of FRS 112 has resulted in more extensive disclosures in the consolidated financial statements (please see Notes 13 for details).

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the group and the company were issued but not effective:

- Improvements to Financial Reporting Standards (January 2014)
- Improvements to Financial Reporting Standards (February 2014)
- New Standard FRS 115 *Revenue from Contracts with Customers*

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the group and the company in the period of their initial adoption except for the following where management is still assessing.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Improvements to Financial Reporting Standards (January 2014)

Standards included in this cycle of improvement project comprised of the following. Amendments apply for annual periods beginning on or after 1 July 2014, unless otherwise stated.

Standard	Topic	Key amendment
FRS 108 <i>Operating Segments</i>	Aggregation of Operating Segments	Amendments require an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'.
	Reconciliation of the total of the reportable segments' assets to the entity's assets	Clarifies that a reconciliation of the total of the 'reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
FRS 24 <i>Related Party Disclosures</i>	Key Management Personnel	Clarified that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However disclosure of the components for such compensation is not required.

The management does not expect the application of the above Improvements to Financial Reporting Standards (January 2014) to have a significant impact on the financial statements of the group and the company.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Improvements to Financial Reporting Standards (February 2014)

Standards included in this cycle of improvement project comprised of the following. Amendments apply for annual periods beginning on or after July 1, 2014, unless otherwise stated.

Standard	Topic	Key amendment
FRS 113 <i>Fair Value Measurement</i>	Scope of portfolio exception	<p>The scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, FRS 39, even if those contracts do not meet the definitions of financial assets or financial liabilities within FRS 32.</p> <p>Consistent with the prospective initial application of FRS 113, the amendment must be applied prospectively from the beginning of the annual period in which FRS 113 was initially applied.</p>

The management is currently evaluating the impact of the above improvements to Financial Reporting Standards (February 2014).

FRS 115 *Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

The management is currently evaluating the impact of FRS 115.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the company and entities (including structured entities) controlled by the company and its subsidiaries. Control is achieved where the company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- The size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies.

Changes in the group's ownership interests in existing subsidiaries

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the company's financial statements, investments in subsidiaries, associates and joint ventures are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the group to the former owners of the acquiree, and equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

FINANCIAL INSTRUMENT - Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and 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.

Financial assets are classified into the following specified categories: "available-for-sale" and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Certain shares held by the group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the group's right to receive payments is established.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the 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 available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, 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.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of equity available-for-sale instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserves.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

De-recognition 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.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis except for short-term payables when the recognition of interest would be immaterial.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

De-recognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or expired.

Derivative financial instruments and hedge accounting

The group enters into a variety of derivative financial instruments to manage its exposure to aluminium prices and foreign currency fluctuations, including aluminium futures contracts and forward foreign exchange contracts. Further details of derivative financial instruments are disclosed in Note 11 to the financial statements.

The group does not use derivative financial instruments for speculative purposes.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. The group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedging relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedging relationship is less than 12 months.

Derivatives not designated into an effective hedge relationship are classified as a current asset or a current liability.

Hedge accounting

The group designates certain hedging instruments, which include derivatives in respect of foreign currency risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 11 contains details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other gains and losses.

Amounts recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and when the forecast transaction is ultimately recognised in profit or loss, such gains and losses are recognised in profit or loss, or transferred from equity and included in the initial measurement of the cost of the asset or liability as described above. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in equity is recognised immediately in profit or loss.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the company and the group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Consideration paid for land use rights are recorded as prepaid lease payments and are charged to the profit or loss on a straight-line basis over the term of relevant land use right acquired.

Rentals payable under operating leases are charged to the profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Buildings and plant and machinery in the course of construction ("construction-in-progress") for production, rental or administrative purposes, or for purpose not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than construction-in-progress, over their estimated useful lives and taking into account their residual value of 5%, except for computer software which has no residual value, using the straight-line method, on the following bases:

Buildings	-	10 to 20 years
Plant and machinery	-	10 years
Computer software	-	3 years
Motor vehicles	-	5 years
Furniture and fittings	-	5 years

Depreciation is not provided on construction-in-progress and freehold land.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately include expenditure on technical know-how are reported at cost less accumulated amortisation and accumulated impairment losses. Technical know-how is amortised on a straight-line basis over its estimated useful life of 10 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Such assets are tested for impairment in accordance with the policy below.

Internally-generated intangible assets - research and development expenditure

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

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

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

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

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

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the 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 loss (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.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 for which the estimates of future cash flows have not been adjusted.

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

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. 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.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attached to them and the grants will be received. The benefit of government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are presented as a deduction from the carrying amount of the related assets and recognised as income over the useful lives of the assets by way of a reduced depreciation charge.

Other 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 giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly to equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively) or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which each entity operates (its functional currency). The consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are presented in Renminbi ("RMB"), which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the 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.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the 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 directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Exchange differences which relate to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

Exchange differences on transactions entered into in order to hedge certain foreign currency risks are described in the hedge accounting policies above.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Renminbi using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the group's translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents comprise cash on hand and at banks, less pledged cash placed with banks that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, which are described in Note 2, management is required to make judgements, 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.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

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

Critical judgements in applying the entity's accounting policies

Management is of the opinion that there is no critical judgement involved that has a significant effect on the amounts recognised in the financial statements apart from those involving estimations which are dealt with below.

Key sources of estimation uncertainty

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

Allowance for doubtful debts

The policy for allowance for doubtful debts of the group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current credit worthiness and the past collection history of each customer. The carrying amount of allowance for doubtful debts as at December 31, 2014 is disclosed in Note 8 to the financial statements.

Allowance for inventories obsolescence

In determining the net realisable value of the group's inventories, an estimation of the recoverable amount of inventories on hand is performed based on the most reliable evidence available at the time the estimates are made. This represents the value of the inventories which are expected to realise as estimated by management. The carrying amount for inventories as at December 31, 2014 is disclosed in Note 12.

Impairment of prepaid lease payment and property, plant and equipment

As described in Note 2, at the end of each reporting period, the group reviews the carrying amounts of its prepaid lease payments, property, plant and equipment, including construction-in-progress, and intangible assets to determine whether there is any indication of impairment. As at December 31, 2014, management is of the opinion that there did not exist any indication of impairment, and accordingly no impairment is required for property, plant and equipment and intangible assets. The carrying amount of prepaid lease payment, property, plant and equipment, including construction-in-progress, and intangible assets are disclosed in Notes 9, 17 and 18 respectively.

Impairment of intangible assets

Management reviews the intangible asset for impairment whenever there is an indication that the carrying amount of the intangible asset may not be recoverable. Management measures the recoverability of the intangible asset by comparing its carrying amount against its recoverable amount. Recoverable amount is the higher of the fair value less cost to sell and value-in-use, which is the future cash flows that the intangible asset is expected to generate from use over a period of 10 years. Management has in the value-in-use model projected 60,000 units of wheels sold per year for 2015 and 2016, 100,000 units in 2017 and increasing to 240,000 units in 2022. The future cash flows are discounted to their present value using a pre-tax discount rate of 16.6% (2013: 16.6%). Based on the assessment, management believes that no impairment is required at December 31, 2014.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Useful lives and residual values of property, plant and equipment

As described in Note 2, the group reviews the estimated useful lives and the residual values of the property, plant and equipment at the end of each annual reporting period. During the financial year, management determined that the estimated useful lives and residual values of the property, plant and equipment are appropriate and no revision is required.

Fair value of derivative financial instruments

The group is required to assess the fair values of the derivative financial instruments which involve the input of certain variables and accordingly, require significant estimates and assumptions. Details of the derivative financial instruments are provided in Note 11 to the financial statements.

Recoverability of investment in subsidiaries and loans due from subsidiaries

Investment in subsidiaries and loans due from subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired, based on an estimation of the recoverable amount. For the financial year ended December 31, 2014, management evaluated the recoverability and assessed that no impairment was required, having regard to the existing performance of the relevant subsidiaries. The carrying amount of investment in and loans due from subsidiaries are disclosed in Notes 13 and 16 to the financial statements.

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including cash and bank balances)	1,370,970	1,290,224	314,576	340,732
Derivative financial asset	13	12,221	—	—
Financial liabilities				
Amortised cost	2,030,887	1,768,965	332,153	370,252
Derivative financial liabilities	22	99	—	—

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives

The group does not have written risk management policies and guidelines. However, the Board of Directors meet periodically to analyse and formulate measures to manage the group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the group employs a conservative strategy regarding its risk management.

The group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign currency risk management

The group's foreign currency exposures arose mainly from the exchange rate movements of the Singapore dollars, Japanese yen, Euro, United States dollars and Thai baht against Renminbi.

At the reporting date, the carrying amounts of significant foreign currency denominated monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Singapore dollars	1,434	1,512	2,022	4,198	1,435	1,512	1,950	4,076
Japanese yen	–	–	9,833	12,103	–	–	–	–
Euro	666	515	34,483	33,189	–	–	–	–
United States dollars	589,339	506,891	277,081	166,955	330,718	368,740	306,737	336,410
Thai baht	10,565	6,404	5,380	4,692	–	–	–	–

Companies in the group use forward contracts to hedge their exposure to foreign currency risk of United States dollars against Renminbi as a portion of the group's sales are denominated in USD (cash flow hedges).

Further details on the forward exchange derivative hedging instruments are found in Note 11 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the Renminbi against the relevant foreign currencies. 10% is the sensitivity rate representing management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the group where they gave rise to an impact on the group's profit or loss.

If the Renminbi strengthens by 10% against the relevant foreign currency, profit or loss will increase (decrease) by:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore dollars	(59)	(269)	(52)	(256)
Japanese yen	(983)	(1,210)	—	—
Euro	(3,382)	(3,267)	—	—
United States dollars	31,226	33,994	2,398	3,233
Thai baht	519	171	—	—

If the Renminbi weakens by 10% against the relevant foreign currency, the above will have an equal but opposite effect.

(ii) Interest rate risk management

The group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. The group's interest rate exposure relates primarily to the time deposits and loans as disclosed in Notes 7, 16 and 19 to the financial statements. The group borrows at both fixed and floating interest rates to manage interest rate risk.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the financial year in the case of bank borrowings that bear interest at floating rates. A range of 25 to 75 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

If interest rates have been higher or lower and all other variables were held constant, the group's profit for the current year would decrease or increase accordingly. This is mainly attributable to the group's exposure to interest rates on its floating rate borrowings which is not hedged. The following analysis shows the group's sensitivity to interest rate exposure:

Increase in interest rate basis points by:

	Decrease in group's profits	
	2014	2013
	RMB'000	RMB'000
25 basis points	1,542	1,559
50 basis points	3,034	3,118
75 basis points	4,626	4,677

A decrease in interest rate basis points will have the an equal but opposite effect.

The company's profit or loss is not materially affected by the change in interest rates primarily by using natural hedges that arise from offsetting the change in the interest-bearing loan from bank by the change in the interest-bearing loan to subsidiaries which bear notional interest rate similar to the loan from bank.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The group's principal financial assets are cash and bank balances, trade and other receivables and available-for-sale investment.

The group's credit risk is primarily attributable to its trade receivables. The amounts in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

As at December 31, 2014, approximately 5.4% (2013 : 10%) of the group's trade receivables is concentrated in one customer, which is the non-controlling interest of two subsidiaries.

Further details of credit risks on trade and other receivables are disclosed in Notes 8 and 9 respectively.

Cash and bank balances are held with creditworthy financial institutions.

The group's and the company's maximum exposure to credit risk is the carrying amount of the financial assets.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(iv) Liquidity risk management

The group maintains sufficient cash and bank balances, and internally generated cash flows to finance its activities.

Liquidity and interest rate risk analysis

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group and company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Weighted average effective interest rate %	On demand or within 1 year RMB'000	Within 2 to 5 years RMB'000	After 5 years RMB'000	Adjustment RMB'000	Total RMB'000
<u>Group</u>						
2014		884,506	—	—	—	884,506
Non-interest bearing						
Fixed interest rate instruments	5.79	431,469	120,000	—	(21,894)	529,575
Variable interest rate instruments	3.80	331,227	317,432	—	(31,853)	616,806
		<u>1,647,202</u>	<u>437,432</u>	<u>—</u>	<u>(53,747)</u>	<u>2,030,887</u>
2013						
Non-interest bearing		863,068	—	—	—	863,068
Fixed interest rate instruments	5.95	172,000	120,000	—	(9,663)	282,337
Variable interest rate instruments	4.11	257,906	407,531	—	(41,877)	623,560
		<u>1,292,974</u>	<u>527,531</u>	<u>—</u>	<u>(51,540)</u>	<u>1,768,965</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

		Weighted average effective interest rate %	On demand or within 1 year RMB'000	Within 2 to 5 years RMB'000	After 5 years RMB'000	Adjustment RMB'000	Total RMB'000
<u>Company</u>							
2014							
Non-interest bearing			6,977	—	—	—	6,977
Variable interest rate instruments	3.64		102,487	241,425	—	(18,736)	325,176
			<u>109,464</u>	<u>241,425</u>	<u>—</u>	<u>(18,736)</u>	<u>332,153</u>
2013							
Non-interest bearing			7,839	—	—	—	7,839
Variable interest rate instruments	3.81		58,406	336,264	—	(32,257)	362,413
			<u>66,245</u>	<u>336,264</u>	<u>—</u>	<u>(32,257)</u>	<u>370,252</u>

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the group and the company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

	Weighted average effective interest rate %	On demand or within 1 year RMB'000	Within 2 to 5 years RMB'000	After 5 years RMB'000	Adjustment RMB'000	Total RMB'000
<u>Group</u>						
2014						
Non-interest bearing		1,295,370	—	—	—	1,295,370
Fixed interest rate instrument	4.25	80,741	—	—	(5,141)	75,600
		<u>1,376,111</u>	<u>—</u>	<u>—</u>	<u>(5,141)</u>	<u>1,370,970</u>
2013						
Non-interest bearing		1,206,724	—	—	—	1,206,724
Fixed interest rate instruments	4.10	7,942	80,741	—	(5,183)	83,500
		<u>1,214,666</u>	<u>80,741</u>	<u>—</u>	<u>(5,183)</u>	<u>1,290,224</u>
<u>Company</u>						
2014						
Non-interest bearing		12,090	—	—	—	12,090
Fixed interest rate instruments	3.64	102,429	218,127	—	(18,070)	302,486
		<u>114,519</u>	<u>218,127</u>	<u>—</u>	<u>(18,070)</u>	<u>314,576</u>
2013						
Non-interest bearing		10,790	—	—	—	10,790
Fixed interest rate instruments	3.81	58,289	341,651	—	(69,998)	329,942
		<u>69,079</u>	<u>341,651</u>	<u>—</u>	<u>(69,998)</u>	<u>340,732</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Derivative financial assets				
Forward foreign exchange contracts	13	12,221	—	—
Derivative financial liabilities				
Aluminium futures contract	(22)	—	—	—
Forward foreign exchange contracts	—	(99)	—	—

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and bank balances, trade and other current receivables and payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

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

- the fair value of financial assets and financial 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 financial liabilities (excluding derivative instruments) 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
- the fair value of the derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow model is used, based on applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The fair value of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The group has derivatives financial assets and liabilities that fall under Level 2 as disclosed in Note 11. There were no transfer between the fair value hierarchy in the period.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

4 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Capital risk management policies and objectives

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of debt, which includes the borrowings disclosed in Note 19 and equity attributable to owners of the company, comprising share capital, reserves and retained earnings. The group does not have any externally imposed capital requirements.

The group's Board of Directors ("Board") reviews the capital structure on a quarterly basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on decisions of the Board, the group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

The group's overall strategy remains unchanged from 2013.

The group monitors capital based on the group's gross gearing and net gearing. The group's gross gearing is calculated as total borrowings divided by total equity. Net borrowings are calculated as total borrowings as disclosed in Note 19, less cash and bank balances as disclosed in Note 7 to the financial statements.

	Group	
	2014 RMB'000	2013 RMB'000
Total borrowings	1,146,381	905,897
Total equity	860,898	794,734
Gross gearing (times)	1.33	1.14
Net borrowings	844,099	648,454
Total equity	860,898	794,734
Net gearing (times)	0.98	0.82

5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The company is a subsidiary of Lizhong Investment Ltd, incorporated in British Virgin Islands, which is also the company's ultimate holding company. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS (cont'd)

Transactions between the company and its subsidiaries, which are related companies of the company, have been eliminated on consolidation.

6 OTHER RELATED PARTY TRANSACTIONS

Some of the transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and are repayable on demand unless otherwise stated.

Significant related party transactions, all of which were entered into with companies in which certain directors of the company have financial interests, other than those disclosed elsewhere in the financial statements, are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Sales of goods	(9,469)	(5,408)
Purchases of goods and services	1,153,532	1,063,901
Rental expense	2,181	2,182
Purchase of property, plant and equipment	3,397	230

During the year, group entities entered into the following trading transactions with other related parties:

	Group	
	2014	2013
	RMB'000	RMB'000
Sales of goods to non-controlling shareholders of subsidiaries	(199,778)	(372,927)
Purchases of goods from non-controlling shareholders of subsidiaries	2,002	2,368
Agent fees to related entity controlled by a close family member of a director	16,005	9,711

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

6 RELATED PARTY TRANSACTIONS (cont'd)

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Short-term benefits	6,184	4,771
Post-employment benefits	82	76
	<u>6,266</u>	<u>4,847</u>

The remuneration of directors and key management is determined by the Remuneration Committee of the company having regard to the performance of individuals and market trends.

7 CASH AND BANK BALANCES

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Cash at banks	149,986	134,014	6,181	10,526
Cash on hand	335	1,074	31	38
Fixed deposits	—	1,900	—	—
Cash and cash equivalents	<u>150,321</u>	<u>136,988</u>	<u>6,212</u>	<u>10,564</u>
Fixed deposits pledged to banks	75,600	75,600	—	—
Cash placed and pledged with banks	76,361	44,855	—	—
Cash and bank balances	<u>302,282</u>	<u>257,443</u>	<u>6,212</u>	<u>10,564</u>

Bank balances and cash comprise cash held by the group and short-term bank deposits. The carrying amounts of these assets approximate their fair values.

Fixed deposits bear average interest rate 4.25% (2013 : 1.35% to 4.25%) per annum and have a tenure of 36 months (2013 : 7 days to 36 months).

Cash amounting to RMB151,961,000 (2013 : RMB120,455,000) has been pledged to banks as security for bank loans (Note 19), bills payables (Note 20) and letter of credit facilities provided to the group.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

8 TRADE RECEIVABLES

	Group	
	2014	2013
	RMB'000	RMB'000
Amounts receivable from the sale of goods:		
Third parties	622,460	526,381
Bills receivables from third parties	330,245	378,277
Bills receivables from related parties (Note 6)	3,177	560
Related party	87	—
Non-controlling interests (Note 6)	54,797	100,831
	1,010,766	1,006,049
Allowance for doubtful debts - third parties	(516)	(469)
	1,010,250	1,005,580

The average credit period on sales of goods is 90 days (2013 : 90 days). No interest is charged on the trade receivables from the date of the invoice. Trade receivables are individually provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Before accepting any new customer, the group assesses potential customer's credit quality and defines credit limits by customer. The group also closely monitor the credit quality and based on payment patterns of the debtors, amounts receivable that are past due but not impaired are generally collectible. Credit limits attributed to customers are reviewed annually.

Included in the group's trade receivable balance are debtors with a carrying amount of RMB30,068,000 (2013 : RMB22,005,000) which are past due at the end of the reporting date for which the group has not recognised an allowance for doubtful receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable. The group has not made any allowance for the above balances as the management is of the view that these receivables are recoverable. The group does not hold any collateral over these balances, and the average age of these receivables (excluding bills receivables) are 126 days (2013 : 125 days).

The bills receivables are interest free and repayable within 180 days in 2013 and 2014.

Aging of receivables that are past due but not impaired:

	Group	
	2014	2013
	RMB'000	RMB'000
91 to 180 days	20,474	20,003
180 days to 1 year	7,597	587
Over 1 year	1,997	1,415
	30,068	22,005

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

8 TRADE RECEIVABLES (cont'd)

Movement in the allowance for doubtful debts, collectively assessed:

	Group	
	2014	2013
	RMB'000	RMB'000
Balance at beginning of year	469	430
Increase in allowance to profit or loss	47	39
Balance at end of year	516	469

9 OTHER RECEIVABLES AND PREPAYMENTS

	Group	
	2014	2013
	RMB'000	RMB'000
Advances to suppliers	61,251	8,493
Deposits for aluminium futures trading	1,986	1,616
Prepaid lease payments (Note a)	75,211	76,986
Prepayment for construction-in-progress	41,339	36,663
Prepayments	12,051	14,550
Value added tax recoverables	65,678	32,508
Interest receivable	8,068	4,811
Others	48,384	20,774
	313,968	196,401
Less: Non-current portion of prepaid lease payments (shown under non-current assets)	(73,570)	(75,345)
Less: Non-current portion of prepayment for construction-in-progress (shown under non-current assets)	(41,339)	(36,663)
	199,059	84,393

Note:

- (a) The prepaid lease payments are made for land use rights on which the group's buildings are situated or construction is in progress. Amortisation is charged on a straight-line basis over the period of the land use rights of 50 years. In 2013, there was an amount of RMB4,398,000 reclassified from construction-in-progress (Note 17) to prepaid lease payment.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

10 AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2014	2013
	RMB'000	RMB'000
Dividend income receivable from subsidiaries (Note 13)	5,864	212
Amount due from subsidiaries (Note 13)	14	14
	<u>5,878</u>	<u>226</u>

Amount due from subsidiaries are unsecured, interest-free and repayable on demand.

11 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2014		2013	
	Assets	Liability	Assets	Liability
	RMB'000	RMB'000	RMB'000	RMB'000
Forward foreign exchange contracts	13	—	12,221	99
Aluminium futures contracts	<u>—</u>	<u>22</u>	<u>—</u>	<u>—</u>

- (a) The derivative financial asset of RMB13,000 (2013 : RMB12,221,000) represented the fair value of the forward foreign currency contracts, which the group has designated as cash flow hedges. As of December 31, 2014, the notional value of outstanding forward contracts to which the group is committed to amounted to RMB1,013,579,000 (2013 : RMB519,030,400). The change in fair value of the derivative financial instruments, amounting to a loss of RMB13,650,000 (2013 : gain of RMB9,428,000) is recognised in other comprehensive income net of related tax of RMB1,831,000 (2013 : RMB1,664,000) (Note 23) for the year ended December 31, 2014.
- (b) The derivative financial liability of RMB22,000 represented the fair value of aluminium futures contracts (2013 : RMB99,000 represented the fair value of the forward foreign currency contracts), which the group has not designated for hedge accounting. As of December 31, 2014, the notional value of outstanding aluminium futures contracts and forward contracts to which the group is committed to amounted to RMB6,540,000 (2013 : RMB7,262,400). The change in fair value of the derivative financial instruments, amounting to a loss of RMB22,000 (2013 : RMB99,000) is recognised in profit or loss for the year ended December 31, 2014.
- (c) The fair value of the derivative financial assets and liabilities falls under Level 2 of the fair value hierarchy. The fair value is determined based on discounted future cash flows. The future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forwards rates, discounted at a rate that reflects the credit risks of various counterparties.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

12 INVENTORIES

	Group	
	2014 RMB'000	2013 RMB'000
Raw materials	100,140	94,532
Work-in-progress	29,836	27,361
Finished goods	333,278	231,297
Provision for goods	(430)	—
	<u>462,824</u>	<u>353,190</u>

The cost of inventories recognised as an expense includes RMB3,086,000 (2013 : RMB2,630,000) in respect of write-downs of inventories to net realisable value.

13 INVESTMENT IN SUBSIDIARIES

	Company	
	2014 RMB'000	2013 RMB'000
Unquoted equity shares, at cost	468,892	468,892
Deemed investment arising from interest-free loans granted to subsidiaries	93,430	91,904
Deemed investment arising from financial guarantees provided to a bank for a subsidiary	2,668	2,668
Deemed distribution arising from interest-free loan obtained from a subsidiary	(11,974)	(11,974)
	<u>553,016</u>	<u>551,490</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

13 INVESTMENT IN SUBSIDIARIES

Details of all the company's subsidiaries at December 31, 2014 are as follows:

Subsidiaries/Country of registration and operations	Proportion of effective ownership interest and voting power held by the group		Principal activities
	2014 %	2013 %	
<u>Held by the company</u>			
Baoding Lizhong Wheel Manufacturing Co., Ltd (“Baoding”) ^{(1) (2) (4)}	25	25	(9)
Qinhuangdao Dicamry Wheel Co., Ltd ^{(1) (2)}	90	90	(10)
Tianjin Lizhong Wheel Co., Ltd (“Tianjin Lizhong”) ^{(1) (2)}	100	100	(10)
Clever View Limited, British Virgin Islands ⁽³⁾	100	100	Dormant
Tianjin Dicastal Wheel Manufacturing Co., Ltd (“Dicastal”) ^{(1) (2)}	15	15	(10)
<u>Held by the subsidiaries</u>			
Baoding Lizhong Wheel Manufacturing Co., Ltd (“Baoding”) ^{(1) (2) (4)}	75	75	(9)
Tianjin Dicastal Wheel Manufacturing Co., Ltd (“Dicastal”) ^{(1) (2) (5)}	75	65	(10)
Tianjin Nano Machinery Manufacturing Co., Ltd (“Tianjin Nano”) ^{(2) (6) (8) (12)}	68.8	68.8	(9)
New Thai Wheel Manufacturing Co., Ltd Thailand ^{(1) (7)}	99.97	99.97	(9)
Liguo Wuzhou Auto Parts Assembly (Tianjin) Co., Ltd (“Liguo”) ^{(2) (7) (8)}	51	51	(11)
HT&L Fittings (Changsha) Co., Ltd (“HT&L”) ^{(2) (7) (8) (13)}	77.02	77.02	(11)

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

13 INVESTMENT IN SUBSIDIARIES (cont'd)

- (1) Audited by overseas practices of Deloitte Touche Tohmatsu Limited for consolidation purposes.
- (2) Incorporated in People's Republic of China
- (3) Not required to be audited by law in its country of incorporation. Audited by Deloitte & Touche LLP, Singapore for consolidation purposes.
- (4) The company and Tianjin Lizhong hold 25% and 75% shareholding in Baoding respectively.
- (5) In 2014, subsidiary of the company, Tianjin Lizhong acquired additional 10% equity interest from non-controlling shareholder of RMB12,453,000 which resulted in group's equity interest in Dicastal increasing from 65% to 75%. After the transfer, the company and Tianjin Lizhong hold 15% and 75% shareholding in Dicastal respectively.
- (6) Shares are held by Tianjin Lizhong.
- (7) Shares are held by Baoding.
- (8) Reviewed by overseas practices of Deloitte Touche Tohmatsu Limited for consolidation purposes.
- (9) Manufacture and sales of aluminium alloy wheels and its related fittings.
- (10) Manufacture and sales of aluminium alloy wheels and its related fittings and production of non-ferrous metals, composite materials and alloyed metals.
- (11) Assembly work of automobile wheels, tyres and other relevant spare parts, and provide relevant aftersales, technological and warehouse services.
- (12) In 2013, Tianjin Lizhong completed the transaction with a third party, under which Tianjin Lizhong injected cash of RMB21,500,000 and the third party contributed an intangible asset with a value of RMB17,000,000 to Tianjin Nano. After the injection and contribution, Tianjin Lizhong and the third party hold 68.8% and 31.2% of the equity interest in Tianjin Nano respectively. Upon completion of the transaction in 2013, Tianjin Nano became a 68.8% subsidiary of the group.
- (13) In 2013, a subsidiary of the company, Baoding acquired additional 28% equity interest in HT&L by capital injection of RMB8,274,000, which resulted in group's equity interest in HT&L increasing from 49% to 77% and HT&L became a subsidiary of the group (Note 35).

Summary financial information in respect of each of the group's subsidiaries was not prepared as the group has no material non-controlling interests.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

14 INVESTMENT IN JOINT VENTURE

Summarised financial information in respect of the jointly-controlled entity is as set out below:

	Group	
	2014	2013
	RMB'000	RMB'000
Revenue	—	2,746
Loss for the year / period	—	(206)
Share of joint venture's loss for the year	—	(101)

The share of joint venture's loss in 2013 represents the amount recognised up to the date of change from investment in joint venture to a subsidiary.

15 AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2014	2013
	RMB'000	RMB'000
Unquoted equity shares, at cost	10,324	10,324
Less: Provision for impairment	(10,324)	(10,324)
	—	—

Movement in allowance for impairment

	RMB'000
At January 1, 2013	3,617
Impairment loss recognised during the financial year	6,707
At December 31, 2013 and December 31, 2014	10,324

The investment in unquoted equity shares represents investment in Inner Mongolia Lizhong Huomei Wheel Manufacturing Co., Ltd ("Inner Mongolia"), carried at cost less accumulated impairment as the management are of the opinion that their fair values cannot be measure reliably. The management does not expect the investee would turn around in the foreseeable future, and has made impairment losses on the investment of RMB10,324,000 as at December 31, 2014 (2013 : RMB10,324,000)

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

16 LOANS TO SUBSIDIARIES

	Company	
	2014 RMB'000	2013 RMB'000
Nominal value	319,506	357,068
Less: Future finance charges	(17,020)	(27,126)
	<u>302,486</u>	<u>329,942</u>
Represented as:		
Current	93,060	45,390
Non-current	209,426	284,552
	<u>302,486</u>	<u>329,942</u>
Future finance charges is represented by:		
Excess of nominal value over the fair value of intercompany loan at loan inception (Note 13)	46,200	47,726
Notional interest income deemed earned	(29,180)	(20,600)
Total	<u>17,020</u>	<u>27,126</u>

The loans to subsidiaries are denominated in United States dollars, unsecured and repayable within one to four years (2013 : five years) from the end of reporting period.

The company recognises notional interest income at effective interest rate of 3.64% (2013 : 3.81%) per annum during the financial year ended December 31, 2014.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

17 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Freehold land RMB'000	Plant and machinery RMB'000	Computer software RMB'000	Motor vehicles RMB'000	Furniture and fittings RMB'000	Construction- in-progress RMB'000	Total RMB'000
<u>Group</u>								
Cost:								
At January 1, 2013	180,453	14,512	590,670	4,485	16,680	13,245	110,133	930,178
Additions	1,777	-	62,594	96	2,109	1,979	111,759	180,314
Acquired on acquisition of a subsidiary (Note 35)	13,447	-	1,583	17	1,000	219	9,080	25,346
Disposals	-	-	(4,010)	-	(652)	(633)	-	(5,295)
Reclassifications	76,423	-	102,932	-	-	926	(184,679)	(4,398)
Exchange differences	(1,448)	(403)	(2,729)	(5)	(22)	(31)	(169)	(4,807)
At December 31, 2013	270,652	14,109	751,040	4,593	19,115	15,705	46,124	1,121,338
Additions	6,680	-	45,046	471	2,420	2,661	117,069	174,347
Disposals	-	-	(12,114)	-	(339)	(387)	-	(12,840)
Reclassifications	13,287	-	111,829	-	-	237	(125,353)	-
Exchange differences	1,290	354	2,967	6	24	30	106	4,777
At December 31, 2014	291,909	14,463	888,768	5,070	21,220	18,246	37,946	1,287,622
Accumulated depreciation:								
At January 1, 2013	31,707	-	259,094	2,959	8,372	7,479	-	309,611
Depreciation for the year	10,431	-	55,450	278	2,426	2,172	-	70,757
Disposals	-	-	(3,509)	-	(575)	(511)	-	(4,595)
Exchange differences	(91)	-	(323)	(1)	(8)	(8)	-	(431)
At December 31, 2013	42,047	-	310,712	3,236	10,215	9,132	-	375,342
Depreciation for the year	14,199	-	67,512	243	2,637	2,694	-	87,285
Disposals	-	-	(10,374)	-	(322)	(347)	-	(11,043)
Exchange differences	144	-	532	2	11	13	-	702
At December 31, 2014	56,390	-	368,382	3,481	12,541	11,492	-	452,286

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

17 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Buildings	Freehold land	Plant and machinery	Computer software	Motor vehicles	Furniture and fittings	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group								
Carrying amount:								
At December 31, 2014	235,519	14,463	530,386	1,589	8,679	6,754	37,946	835,336
At December 31, 2013	228,605	14,109	440,328	1,357	8,900	6,573	46,124	745,996

Note:

During the financial year, construction-in-progress has been determined after charging net borrowing and related costs of RMB1,241,000 (2013 : RMB6,641,000), which were also the actual borrowing costs on fundings obtained specifically for the purpose of the construction.

In 2013, the Group reclassified RMB4,398,000 from construction-in-progress to prepaid lease payment (Note 9).

The group has pledged land and buildings having a carrying amount of RMB172,133,000 (2013 : RMB157,968,000) to secure banking facilities granted to the group.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

18 INTANGIBLE ASSETS

	Trademarks RMB'000	Brand names RMB'000	Technical know-how RMB'000	Total RMB'000
<u>Group</u>				
Cost:				
At January 1, 2013	2,000	6,000	—	8,000
Arising from contribution from a non-controlling interest	—	—	17,000	17,000
At December 31, 2013, and December 31, 2014	2,000	6,000	17,000	25,000
Accumulated amortisation:				
At January 1, 2013	981	1,021	—	2,002
Amortisation for the year	105	201	1,700	2,006
At December 31, 2013	1,086	1,222	1,700	4,008
Amortisation for the year	914	4,778	1,700	7,392
At December 31, 2014	2,000	6,000	3,400	11,400
Carrying amount:				
At December 31, 2014	—	—	13,600	13,600
At December 31, 2013	914	4,778	15,300	20,992

The intangible assets included above have finite useful lives, over which the assets are amortised. The technical know-how is amortised over its estimated useful lives, which is 10 years. The remaining amortisation period for the technical know-how is approximately 8 years (2013: 9 years).

The amortisation expenses have been included in the line item “administrative expenses” in profit or loss.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

19 LOANS

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans:				
Short-term loans				
Loan i	96,000	110,000	—	—
Loan ii	419,500	172,000	—	—
Loan iii	82,655	36,683	—	—
Loan iv	10,000	20,500	—	—
	<u>608,155</u>	<u>339,183</u>	<u>—</u>	<u>—</u>
Current portion of long-term loans				
Loan v	26,057	25,418	—	—
Loan vi	93,060	45,390	93,060	45,390
Loan vii	4,000	—	—	—
	<u>123,117</u>	<u>70,808</u>	<u>93,060</u>	<u>45,390</u>
Long-term loans				
Loan v	72,918	63,546	—	—
Loan vi	232,116	317,023	232,116	317,023
Loan vii	—	5,000	—	—
Government loan (viii)	110,075	110,337	—	—
	<u>415,109</u>	<u>495,906</u>	<u>232,116</u>	<u>317,023</u>
Total loans	<u>1,146,381</u>	<u>905,897</u>	<u>325,176</u>	<u>362,413</u>

Details of the loans are as follows:

- (i) Short-term bank loans amounting to RMB96,000,000 (2013 : RMB110,000,000) are secured by corporate guarantee issued by subsidiaries, bear interest at rates fixed by the central bank in People's Republic of China ("PRC") which are refreshed periodically by the central bank and are repayable within the next twelve months. The interest rates in 2014 ranged from 6.0% to 6.6% (2013 : 6.0% to 6.6%) per annum.
- (ii) Short-term bank loans amounting to RMB419,500,000 (2013 : RMB172,000,000) are secured by corporate guarantee issued by subsidiary, bear fixed interest rates ranging from 3.6% to 6.3% (2013 : 5.6% to 6.0%) per annum are repayable within the next twelve months.
- (iii) Short-term bank loans amounting to RMB82,655,000 (2013 : RMB36,683,000) are secured by property, plant and equipment of a subsidiary, bear interest at rates ranging from 2.6% to 5.6% (2013 : 2.60% to 2.65%) per annum and are repayable within the next twelve months.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

19 LOANS (cont'd)

- (iv) Short-term bank loans amounting to RMB10,000,000 (2013 : RMB20,500,000) are unsecured, bear interest rates fixed by central bank in PRC which are refreshed periodically by central bank and repayable within the next twelve months. The interest rate ranged from 6.0% to 6.2% (2013 : 6.0% to 6.3%) per annum.
- (v) Long-term bank loans amounting to RMB98,975,000 (2013 : RMB88,964,000) are secured by property, plant and equipment of a subsidiary, bearing interest rate pegged to Singapore Inter-Bank Offer Rate ("SIBOR"), revised periodically. As at the end of the reporting period, bank loans amounting to RMB65,142,000 (2013 : RMB88,964,000) and RMB33,833,000 (2013 : nil) carry effective interest at 2.9% and 2.7% (2013 : 3.0% and nil) per annum, are repayable quarterly and semi-annually, and will be fully repaid by June 2017 and May 2020 respectively. As at December 31, 2014, the current portion of the long-term loans is RMB26,057,000 (2013 : RMB25,418,000).
- (vi) Current portion and non-current portion of the long-term bank loans amounting to RMB93,060,000 (2013 : RMB45,390,000) and RMB232,116,000 (2013 : RMB317,023,000) respectively are secured by shares of the company held by the ultimate holding company and a subsidiary, deposit accounts of subsidiaries and letters of undertaking by subsidiaries. The bank loans bear interest rate pegged to SIBOR, and in 2014, the effective interest was 3.64% (2013: 3.81%) per annum, and the loans are repayable semi-annually. The bank loans will be fully repaid by January 2018.
- (vii) Long term bank loan amounting to RMB4,000,000 (2013 : RMB5,000,000) are secured by property, plant and equipment of a subsidiary, bear interest at rates fixed by the central bank in PRC which are refreshed periodically by the central bank and are repayable in 2015. The interest rate is at 7.07% (2013 : 7.07%) per annum.
- (viii) Long-term loans received from Tianjin Trust, branch of central bank in People's Republic of China ("PRC"), carried at RMB110,075,000 (2013 : RMB110,337,000) represent long-term interest-free loans from the Tianjin local government. The total interest-free loans amount of RMB120,000,000, fully repayable in 2016, were received and recognised at fair value in accordance with FRS 39, based on effective interest rate of 6.15% (2013 : 6.15%) per annum, and subsequently carried at amortised cost. The loan is secured by corporate guarantee issued by a related party.
- (ix) The management is of the opinion that the carrying amounts of these loans approximate their fair values.

20 TRADE PAYABLES

	Group	
	2014 RMB'000	2013 RMB'000
Amount payable for trade purchases from:		
Third parties	305,182	354,913
Bills payables	239,388	126,400
Related parties (Note 6)	198,405	259,969
	<u>742,975</u>	<u>741,282</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

20 TRADE PAYABLES (cont'd)

The average credit period on purchases of goods is 60 to 90 days (2013 : 60 to 90 days). No interest is charged on the trade payables. The group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Bills payables are secured by pledged cash placed with banks (Note 7).

21 OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued expenses	62,075	51,187	6,977	7,839
Retirement benefit obligations	328	64	—	—
Advances/Deposits from customers (Note a)	12,470	1,569	—	—
Deposits from suppliers (Note a)	3,205	3,116	—	—
Value added tax payable	2,264	796	—	—
Other taxes payable	2,995	2,041	—	—
Payables relating to construction-in-progress	37,723	53,693	—	—
Related party (Note 6)	395	—	—	—
Purchase consideration payable to non-controlling interest	12,453	—	—	—
Others	28,557	16,842	—	—
	<u>162,465</u>	<u>129,308</u>	<u>6,977</u>	<u>7,839</u>

Note:

- (a) The advances/deposits from customers and suppliers and security and tender deposits are unsecured, interest free and repayable on demand.

22 DEFERRED INCOME

	Group	
	2014	2013
	RMB'000	RMB'000
Deferred income	10,010	9,702
Current portion	(6,754)	(6,640)
Non-current portion	<u>3,256</u>	<u>3,062</u>

The carrying amount represents deferred income arising from recognition of interest-free government loans [Note 19 (viii)] in accordance with FRS 39, determined based on effective interest rate of 6.15% (2013: 6.15%) per annum.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

23 DEFERRED TAX

Certain deferred tax asset and liabilities have been offset in accordance with the group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group	
	2014	2013
	RMB'000	RMB'000
Deferred tax assets	1,262	1,262
Deferred tax liabilities	(13,004)	(10,340)
	<u>(11,742)</u>	<u>(9,078)</u>

The following are the deferred tax assets and liabilities recognised by the group and the movements thereon, during the current and prior reporting periods:

	Undistributed profit of subsidiaries RMB'000	Unutilised tax losses RMB'000	Financial derivatives RMB'000	Impairment of investment RMB'000	Total RMB'000
As at January 1, 2013	7,347	(25)	169	—	7,491
Credit directly to equity for the year	—	—	1,664	—	1,664
Charge (credit) to profit or loss for the year (Note 28)	2,076	25	—	(1,262)	839
Utilisation	(916)	—	—	—	(916)
As at December 31, 2013	<u>8,507</u>	<u>—</u>	<u>1,833</u>	<u>(1,262)</u>	<u>9,078</u>
Credit directly to equity for the year	—	—	(1,831)	—	(1,831)
Charge to profit or loss for the year (Note 28)	5,482	—	—	—	5,482
Utilisation	(987)	—	—	—	(987)
As at December 31, 2014	<u>13,002</u>	<u>—</u>	<u>2</u>	<u>(1,262)</u>	<u>11,742</u>

Pursuant to the new income tax laws in the People's Republic of China, profits earned from January 1, 2008 when distributed to the company in future will be subjected to withholding tax. During the financial year, the group utilised RMB987,000 (2013 : RMB916,000) for withholding taxes paid on profits distributed to the company.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

24 SHARE CAPITAL

	Group and Company			
	2014	2013	2014	2013
	Number of ordinary shares		RMB'000	RMB'000
Issued and paid up:				
At beginning and end of financial year	<u>235,025,550</u>	<u>235,025,550</u>	<u>140,500</u>	<u>140,500</u>

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the company.

25 REVENUE

	Group	
	2014	2013
	RMB'000	RMB'000
Sale of goods	<u>2,909,666</u>	<u>2,695,234</u>

26 OTHER INCOME

	Group	
	2014	2013
	RMB'000	RMB'000
Government grant income	18,963	16,718
Interest income	5,548	4,663
Net foreign exchange gains	3,639	2,325
Bargain purchase gain arising from acquisition of a subsidiary (Note 35)	—	7,744
Others	<u>141</u>	<u>249</u>
	<u>28,291</u>	<u>31,699</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

27 FINANCE COSTS

	Group	
	2014	2013
	RMB'000	RMB'000
Interest expense on:		
Bank loans	41,305	28,312
Government loan	6,640	6,602
Bills payable	57	—
Total borrowing costs	48,002	34,914

28 INCOME TAX

	Group	
	2014	2013
	RMB'000	RMB'000
On profit for the year:		
- Current tax	22,061	14,443
- Overprovision of current tax in prior year	(2,854)	(2,570)
- Deferred tax income relating to temporary differences	5,482	839
	24,689	12,712

Domestic income tax of the company is calculated at 17% (2013 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions as explained below.

Baoding Lizhong Wheel Manufacturing Co., Ltd, Tianjin Lizhong Wheel Co., Ltd, Tianjin Dicastal Wheel Manufacturing Co., Ltd and Tianjin Nano Machinery Manufacturing Co., Ltd attained the status of advance technology enterprises ("ATE"), and are entitled to a reduced PRC enterprise income tax rate of 15%.

In December 2010, New Thai Wheel Manufacturing Co., Ltd. ("NTW") has obtained promotional privileges under the Investment Promotion Act B.E. 2520 (1977) by the Board of Investment ("BOI") in Thailand for aluminium wheel production. This qualifies NTW to be exempted from corporate income tax for a period of 8 years from the first date income is derived from production.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

28 INCOME TAX (cont'd)

The tax for the year can be reconciled to the accounting profit as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Profit before tax	115,481	86,595
Income tax expense at PRC statutory rate of 25% (2013 : 25%)	28,870	21,649
Non-deductible items, net	10,325	3,674
Overprovision of current tax in prior year	(2,854)	(2,570)
Withholding tax on undistributed PRC earnings	5,482	2,076
Tax incentives	(17,134)	(12,117)
	<u>24,689</u>	<u>12,712</u>

29 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Group	
	2014	2013
	RMB'000	RMB'000
Directors' remuneration:		
Directors of the company	798	814
Directors of the subsidiaries	2,972	2,261
Total directors' remuneration	<u>3,770</u>	<u>3,075</u>
Employee benefits expense (including directors' remuneration):		
Defined contribution plans	15,876	19,875
Others	266,802	217,114
Total employee benefits expense	<u>282,678</u>	<u>236,989</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

29 PROFIT FOR THE YEAR (cont'd)

	Group	
	2014	2013
	RMB'000	RMB'000
Research costs	142,514	97,007
Net realised (gain) loss from the settlement of derivative financial instruments	(924)	(280)
Fair value (gain) loss on derivative financial instruments	(77)	99
Foreign currency exchange adjustment gain, net	(3,639)	(2,325)
Inventories written off	2,656	2,630
Provision for inventories	430	-
Impairment of available-for-sale investment	-	6,707
Loss on disposal of property, plant and equipment	1,115	357
Cost of inventories recognised as expense	2,429,480	2,336,542
Audit fees:		
Paid to auditors of the company	705	737
Paid to other auditors	1,683	1,705
Total audit fees	2,388	2,442
Non-audit fees paid to auditors of the company	63	21

30 CAPITAL RESERVE

Pursuant to relevant laws and regulations in the People's Republic of China ("PRC") and the Articles of Association of the subsidiaries, the subsidiaries are required to make appropriation from profit after taxation as reported in the PRC statutory financial statements to statutory reserve fund at an amount subject to the approval of the Board of Directors. The statutory reserve fund may be used to make up losses incurred and, with approval from relevant government authority, to increase capital for expansion of production.

31 TRANSLATION RESERVE

Exchange differences relating to the translation from the functional currencies of the group's foreign subsidiaries into Renminbi are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the header of translation reserves.

32 HEDGING RESERVE

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge recognised in other comprehensive income and accumulated in hedging reserves is reclassified to profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

33 OTHER RESERVE

The other reserve represents the difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration received as the result of a dilution of 31.2% equity interest in Tianjin Nano Machinery Manufacturing Co., Ltd to a third party in 2013 (Note 13).

34 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary owners of the company is based on the following data:

	Group	
	2014	2013
<u>Earnings (RMB'000)</u>		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the company)	87,915	70,294
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	235,025,550	235,025,550
Basic earnings per share (in RMB cents)	37.41	29.91
Diluted earnings per share (in RMB cents)	37.41	29.91

35 ACQUISITION OF SUBSIDIARY

In July 2013, the group increased its equity interest in HT&L Fittings (Changsha) Co., Ltd ("HT&L") from 49% to 77% through additional capital injection of RMB8,274,000. This transaction has been accounted for as acquisition of a subsidiary.

HT&L is an entity incorporated in People's Republic of China with its principal activity being assembly work of automobile wheels, tyres and other relevant spare parts, and provide relevant aftersales, technological and warehouse services. The group acquired HT&L to gain access to HT&L's already established manufacturing facilities.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

35 ACQUISITION OF SUBSIDIARY

Assets acquired and liabilities assumed at the date of acquisition

HT&L Fittings (Changsha) Co., Ltd

	2013 RMB'000
Current assets	
Cash and cash equivalents	747
Trade and other receivables	14,729
Inventories	562
	<u>16,038</u>
Non-current assets	
Property, plant and equipment	<u>25,346</u>
Current liabilities	
Trade and other payables	<u>3,067</u>
Non-current liabilities	
Long term loan	<u>7,000</u>
Net assets acquired and liabilities assumed	<u>31,317</u>

Non-controlling interest

The non-controlling interest (23%) in HT&L recognised at the acquisition date was measured by reference to the proportionate share in the recognised amount of the acquiree's identifiable net assets.

Bargain purchase gain arising from acquisition:

	2013 RMB'000
Consideration transferred	8,274
Plus: Non-controlling interest	9,100
Plus: Previously held interest	14,473
Less: Fair value of identifiable net assets acquired	(31,317)
Less: Cash injected by the group	(8,274)
Bargain purchase from acquisition	<u>(7,744)</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

35 ACQUISITION OF SUBSIDIARY (cont'd)

Bargain purchase represents the excess of the fair value of the net assets acquired over the purchase consideration transferred. The consideration transferred through capital injection in HT&L represented part of its share capital and working capital requirements. The additional capital injection has resulted in the group increasing its equity interest from 49% to 77%. As the non-controlling interest did not participate in the capital injection, this has resulted in the bargain purchase gain for the group which is recognised as other income in profit or loss.

Net cash inflow on acquisition of subsidiary:

	2013 RMB'000
Cash and cash equivalent balances acquired	<u>747</u>

Impact of acquisition on the results of the group

Included in the profit for the year ended December 31, 2013 was RMB385,000 attributable to the additional business generated by HT&L. Revenue for the period from HT&L amounted to RMB5,051,000.

Had the business combination been effected as at January 1, 2013, the revenue of the group for 2013 would have been RMB2,697,980,000, and the profit for the year would have been RMB73,677,000.

36 CAPITAL EXPENDITURE COMMITMENTS

	Group	
	2014 RMB'000	2013 RMB'000
Commitments for acquisition of property, plant and equipment	<u>29,318</u>	<u>56,684</u>

37 OPERATING LEASE COMMITMENTS

	Group	
	2014 RMB'000	2013 RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	<u>5,997</u>	<u>5,849</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

37 OPERATING LEASE COMMITMENTS

At the end of the reporting period, the group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Future minimum lease payments payable:		
Within one year	1,453	2,121
In the second to fifth year inclusive	5,812	5,812
After five years	5,840	7,293
	<u>13,105</u>	<u>15,226</u>

Operating lease payments represent rentals payable by the group for certain of its office premises. Leases are negotiated for either an average of one to ten years or twenty years.

38 SEGMENTAL REPORTING

The application of FRS 108 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operation decision maker ("CODM"), which is the Board of Directors, in order to allocate resources to segments and to assess their performance. The CODM's basis of organisation on the group is by its operating legal activities.

All entities under the group are involved in the manufacture of aluminium alloy wheels with similar production processes and target customers. In addition, there is no difference in the methods used to distribute the inventories and the nature of the regulatory environment among all entities under the group. Accordingly, the CODM considers that all existing products manufactured and held by the group has similar economic characteristic and therefore, no further analysis for segment reporting is presented.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended December 31, 2014

38 SEGMENTAL REPORTING (cont'd)

Geographical information

The group's activities are primarily based in People's Republic of China ("PRC") and Thailand.

The group's revenue from external customers and information about its segment non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
PRC	1,643,243	1,712,884	785,067	730,538
America	531,540	360,096	—	—
Japan	184,486	218,360	—	—
Germany	164,722	113,223	—	—
India	185,369	113,809	—	—
Others	200,306	176,862	180,040	149,720
Total	<u>2,909,666</u>	<u>2,695,234</u>	<u>965,107</u>	<u>880,258</u>

The accounting policies of the segments are the same as the group's accounting policies described in Note 2.

Information about major customers

As at the end of the reporting period, revenue from the group's largest customers is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Customer 1 ^(a)	199,777	372,927
Customer 2	689,231	542,708
Customer 3	<u>601,321</u>	<u>518,741</u>

(a) Customer 1 is a non-controlling interest of two subsidiaries.

STATISTICS OF SHAREHOLDINGS

As at March 23, 2015

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.13	50	0.00
100 - 1,000	59	7.60	58,500	0.03
1,001 - 10,000	410	52.84	2,576,600	1.10
10,001 - 1,000,000	284	36.60	20,669,725	8.79
1,000,001 AND ABOVE	22	2.83	211,720,675	90.08
TOTAL	776	100.00	235,025,550	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Li Zhong Investment Ltd	—	—	150,956,250 ⁽¹⁾	64.23
Zang Liguu	—	—	150,956,250 ⁽²⁾	64.23

Notes:-

- (1) Charged to Bangkok Bank Public Company Limited to secure the Company's obligation under a loan facility.
- (2) Zang Liguu holds 23.3% shareholdings in the issued and paid-up share capital of Li Zhong Investment Ltd. Accordingly, he is deemed interested in the 150,956,250 shares held by Li Zhong Investment Ltd. in the Company.

STATISTICS OF SHAREHOLDINGS

As at March 23, 2015

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	151,536,250	64.48
2	RAFFLES NOMINEES (PTE) LIMITED	11,753,000	5.00
3	LOW GEOK LIN JUDITH	9,324,000	3.97
4	ZHANG JIANLIANG	4,140,700	1.76
5	SENG CHOON HOCK	3,503,000	1.49
6	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	3,086,000	1.31
7	DBS NOMINEES (PRIVATE) LIMITED	3,008,000	1.28
8	ZANG XIU FEN	2,683,250	1.14
9	ZANG LIGEN	2,646,600	1.13
10	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,425,000	1.03
11	QUEK HUILING JOANNE	2,062,000	0.88
12	UOB KAY HIAN PRIVATE LIMITED	2,007,500	0.85
13	BANK OF SINGAPORE NOMINEES PTE. LTD.	1,878,000	0.80
14	LIM & TAN SECURITIES PTE LTD	1,782,000	0.76
15	KAN MUN GNEEN	1,464,000	0.62
16	HONG LEONG FINANCE NOMINEES PTE LTD	1,371,000	0.58
17	LI LIN HE	1,310,125	0.56
18	ZHAO QINGHUA	1,250,250	0.53
19	OCBC SECURITIES PRIVATE LIMITED	1,229,000	0.52
20	HSBC (SINGAPORE) NOMINEES PTE LTD	1,224,000	0.52
TOTAL		209,683,675	89.21

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

31.21% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM”) of the Company will be held at Room 303, level 3, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard Suntec City, Singapore 039593 on Wednesday, 29 April 2015 at 2:00 p.m., for the purpose of transacting the following business:

ORDINARY BUSINESS

- | | |
|---|---------------------|
| 1. To receive, consider and adopt the Audited Accounts for the financial year ended 31 December 2014 and the Directors’ Reports and the Auditors’ Report thereon. | Resolution 1 |
| 2. To approve Directors’ fees of S\$ 170,000.00 for financial year ended 31 December 2014. (2013: S\$170,000.00). | Resolution 2 |
| 3. To re-elect the following Directors retiring by rotation pursuant to Article 89 of the Company’s Articles of Association:- | |
| (i) Zang Ligen | Resolution 3 |
| 4. To note the retirement of Mr Ong Tiew Siam who is retiring pursuant to Article 91 of the Company’s Articles of Association. | |
| (See Explanatory Note 1) | |
| 5. To re-appoint Messrs Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration. | Resolution 4 |

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:-

- | | |
|--|---------------------|
| 6. That pursuant to Section 161 of the Companies Act, Chapter 50, and Rule 806 of the Listing Manual (the “Listing Manual”) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”), the Directors of the Company be authorised and empowered to: | Resolution 5 |
| (a) (i) issue shares in the Company (“shares”) whether by way of rights, bonus or otherwise; and/or | |
| (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, | |
| at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and | |
| (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force, | |

NOTICE OF ANNUAL GENERAL MEETING

PROVIDED THAT:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares shall be based on the total number of issued shares in the capital of the Company (excluding treasury shares) at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(See Explanatory Note 2)

7. That for the purposes of Chapter 9 of the Listing Manual:

Resolution 6

- (a) approval be given for the renewal of the mandate for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out on pages 3 to 8 of the Company's Letter to Shareholders dated 13 April 2015 (the "Letter") with any party who is of the class of Interested Persons described in the Letter, provided that such transactions are carried out on normal commercial terms and in accordance with the review procedures of the Company for such Interested Person Transactions as set out in the Letter (the "Shareholders' Mandate");

NOTICE OF ANNUAL GENERAL MEETING

- (b) the Shareholders' Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and
- (c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the Shareholders' Mandate as they may think fit.

(See Explanatory Note 3)

OTHER BUSINESS

- 8. To transact any other business.

BY ORDER OF THE BOARD

Janet Tan

Joint Company Secretary
13 April 2015, Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (1) Mr Ong Tiew Siam will retire as an Independent Director of the Company at the conclusion of the Annual General Meeting. Upon Mr Ong's retirement, he will cease to be Chairman of the Audit Committee and a member of the Remuneration and Nominating Committee. His replacement for each committee will be announced in due course.
- (2) The Ordinary Resolution no. 5, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued shares in the capital of the Company (excluding treasury shares) at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

- (3) The Ordinary Resolution no. 6, if passed, will authorise the Interested Person Transactions as described in the Letter to Shareholders dated 13 April 2015 and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Notes:

- (1) A member of the Company entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) The instrument appointing a proxy must be deposited at the share registrar of the Company at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal Data Privacy: By attending the AGM and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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LIZHONG WHEEL GROUP LTD.

(Incorporated in the Republic of Singapore)
(Company Registration number: 200407196C)

PROXY FORM – ANNUAL GENERAL MEETING

IMPORTANT

1. For investors who have used their CPF moneys to buy ordinary shares in the capital of Lizhong Wheel Group Ltd., this 2014 Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ NRIC/ Passport/ Co. Reg. No. _____

of _____ (Address)

being a member/members of LIZHONG WHEEL GROUP LTD. (the "Company") hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)
and/or failing him/her (delete as appropriate)			

or failing him/her, the Chairman of the Annual General Meeting ("AGM") of the Company as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the AGM of the Company to be held at Room 303, level 3, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard Suntec City, Singapore 039593, on Wednesday, 29 April 2015 at 2.00 p.m., and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of the AGM. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the AGM).

No.	Ordinary Resolutions	For*	Against*
	Ordinary Business		
1.	To receive, consider and adopt the Audited Financial Statements for the financial year ended 31 December 2014 and the Directors' Reports and the Auditors' Report thereon.		
2.	To approve Directors' fees of S\$170,000.00 for financial year ended 31 December 2014.		
3.	To re-elect Mr. Zang Ligen retiring by rotation under Article 89 of the Company's Articles of Association and who, being eligible, offers himself for re-election, as a Director of the Company.		
4.	To re-appoint Messrs Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration.		
5.	To grant the Directors the authority to allot and issue shares.		
6.	Renewal of Shareholders' Mandate for Interested Person Transactions.		

* Please indicate your vote "For" or "Against" with a "X" within the box provided.

Dated this _____ day of _____ 2015.

Total number of Shares

Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ THE NOTES OVERLEAF



Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at the above-mentioned meeting may appoint not more than two proxies to attend and vote in his stead. Where a member appoints more than one proxy, he shall specify the proportion of his shareholdings to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 80 Raffles Place #32-01 UOB Plaza 1 Singapore 048624, not less than 48 hours before the time set for the meeting.
4. The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be either under its seal or under the hand of any officer or attorney duly authorised.
5. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
7. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By attending the AGM and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

LIZHONG WHEEL ROTATE THE WORLD



REGISTERED OFFICE

80 Raffles Place #32-01
UOB Plaza 1
Singapore 048624