



CHINA AUTOMOBILE PARTS HOLDINGS LIMITED

中国汽车零件控股有限公司

(Bermuda Company No. 46416)

(Malaysian Foreign Company No. 995377-M)

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ANNUAL REPORT 2013



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中国汽车零件控股有限公司

(Bermuda Company No.46416)

(incorporated as an exempted company in Bermuda under the Companies Act 1981 of Bermuda)

(Malaysian Foreign Company Registration No. 995377-M)

(Registered as a foreign company in Malaysia under the Companies Act, 1965 of Malaysia)

ANNUAL REPORT **2013**

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CORPORATE INFORMATION

Board of Directors

Wang YuYun
Executive Chairperson
(Effective from 15 May 2014)

Li Guo Qing
Managing Director

Lim Kock Hooi
Independent Non-Executive Director

Chung Wai Choong
Independent Non-Executive Director

Dr. Chen Boon Heow
Independent Non-Executive Director

Audit Committee

Chairman

Chung Wai Choong
Independent Non-Executive Director

Members

Dr. Chen Boon Heow
Independent Non-Executive Director

Lim Kock Hooi
Independent Non-Executive Director

Remuneration Committee

Chairman

Li Guo Qing
Managing Director

Members

Chung Wai Choong
Independent Non-Executive Director

Lim Kock Hooi
Independent Non-Executive Director

Nomination Committee

Chairman

Chung Wai Choong
Independent Non-Executive Director

Members

Lim Kock Hooi
Independent Non-Executive Director

Dr. Chen Boon Heow
Independent Non-Executive Director

Company Secretary

Lim Chien Joo (MAICSA 7063152)
Suite 13.03, 13th Floor, Menara Tan & Tan
207, Jalan Tun Razak
50400 Kuala Lumpur
Malaysia

Registered Office In Bermuda

Clarendon House
2 Church Street
Hamilton HM11
Bermuda
Telephone No. : +1 (441) 295 5950
Facsimile No. : +1 (441) 292 4720

Registered Office In Malaysia

Suite 13.03, 13th Floor, Menara Tan & Tan
207, Jalan Tun Razak
50400 Kuala Lumpur
Malaysia
Telephone No. : +6 (03) 2164 0206 /
+6 (03) 2164 0118
Facsimile No. : +6 (03) 2164 0207

Head Office/Business Address

Neikeng Industrial Area
Shangfang Village, Neikeng Town
Jinjiang City, Fujian Province
PRC
Telephone No. : +86 (0595) 6858 5555
Facsimile No. : +86 (0595) 6858 9555
E-mail : cnfensun@126.com
Website : www.fensun.com.cn

Branch Office in Malaysia

B-5-2, Blk B, Menara KIP
Jalan Sri Utara
68100 Batu Caves
Selangor Darul Ehsan
Malaysia
Telephone No. : +6 (03) 6259 9155
Facsimile No. : +6 (03) 6241 0400

Share Registrar In Malaysia

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower,
Mid Valley City, Lingkaran Syed Putra,
59200 Kuala Lumpur
Telephone No. : +6 (03) 2264 3883
Facsimile No. : +6 (03) 2282 1886

Share Registrar in Bermuda

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda
Telephone No. : +1 (441) 295 5950
Facsimile No. : +1 (441) 292 4720

Auditors

BDO (AF 0206)
Chartered Accountants
12th Floor, Menara Uni.Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Telephone No. : +6 (03) 2616 2888
Facsimile No. : +6 (03) 2616 3190

Principal Bankers

Rural Commercial Bank of Jinjiang Fujian
Bank Limited
(Jinjiang Qingyang Branch)
1, Donghua Street
Jinjiang City, Fujian Province
PRC
Telephone No. : +86 (0595) 8566 2127

Industrial and Commercial Bank of China
Limited
(Shishi Lingxiu Branch)
No 7 - 11 Jinyuan District (South)
Qinglian Bridge, Nanyang Road
Shishi City, Fujian Province
PRC
Telephone No. : +86 (0595) 8857 3921

Stock Exchange Listing

Main Market of Bursa Malaysia Securities
Berhad
Stock name : CAP
Stock code : 5229

Company Website
www.china-autoparts.biz

CORPORATE PROFILE

China Automobile Parts Holdings Limited (“CAP” or “the Company”) started out in 2004 manufacturing wheel-hub bolts and nuts, steel pins and other chassis bolt and nut components. In 2006, the Company set out to focus strategically on fabricating more skill-intensive products with product innovation over the next seven years. This eventually led to the listing of CAP on the Main Market of Bursa Malaysia Securities Berhad on 30 January 2013.

Today, CAP is a specialist manufacturer and a one-stop supply centre of chassis components used in automobiles for transporting goods. Our target market is the aftermarket repair, maintenance and modification segment, with an emphasis towards catering for replacement components in heavy commercial vehicles.

Our chassis components products can be categorised into five (5) types, namely wheel-hub bolts, wheel axles, steel pins, u-bolts and torque-rod bushings. We offer a myriad of products to meet our customers’ requirements. We have close to 280 distinct models of wheel hub bolts, 80 types of steel pins, 600 u-bolt specifications, 50 axle specifications and 60 specifications of torque-rod bushings. We also produce custom-made configurations for each product category. The concept and convenience of a “one-stop supply centre” has given CAP considerable synergies for cross-selling of all our products to the end users as the end users only has to deal with one reliable supplier instead of five.

Our products are sold both in the domestic (“PRC”) and overseas markets. In the PRC, our own proprietary trademarks - ‘LIDUN’ (力顿), ‘SUOLI’ (索力) and ‘PL’ (培力) – are marketed via 21 authorised distributors in the PRC covering 20 provinces and municipalities.

OEM-specification products are sold overseas through 8 export-oriented trading houses to countries in the Southeast Asia (Malaysia, Indonesia and the Philippines), the Middle East (Dubai and Saudi Arabia) and South Africa.

Currently headquartered in Jinjiang City in the Fujian Province, the Company has a workforce of more than 500 personnel. Our production facilities in Jinjiang City also include a research and development centre, office, warehouse as well as a hostel for our employees. We have recently expanded our production centre to include a new building adjacent to the existing one. This was completed in April 2014. The expansion consists of a new production centre, office space, warehouse and a training centre for our employees.

As the Company evolves with changing times, we remain steadfast and consistent in keeping our corporate core values. Our core values have been the driving force of our success. We believe in investing in our people to produce highly reliable products of excellent quality. Over the years, CAP has been accredited several quality and management standard certifications, including the internationally-recognised ISO/TS16949 on quality management system. ISO/TS6949 certifies on continual improvement, emphasising defect prevention and the reduction of variation and waste in the supply chain.

We continue to place great emphasis on product innovation to create better product designs for high wear-and-tear endurance through our research and development efforts. In 2003, we registered 2 trademarks and 2 patents. The patents were for wheel hub bolt and wheel bolt.



CORPORATE PROFILE (cont'd)

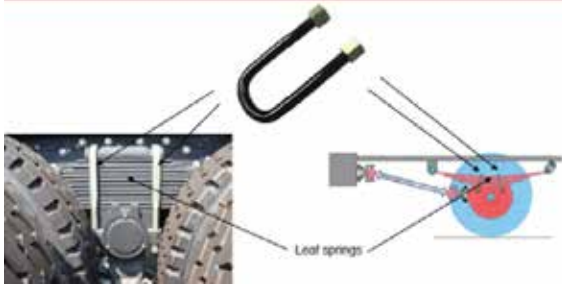
OUR PRODUCTS

WHEEL-HUB BOLTS



Wheel-hub bolts are high strength bolts or studs used together with matching nuts to attach and securely fasten wheels onto wheel hubs, which in turn are attached to vehicle axles.

U-BOLTS



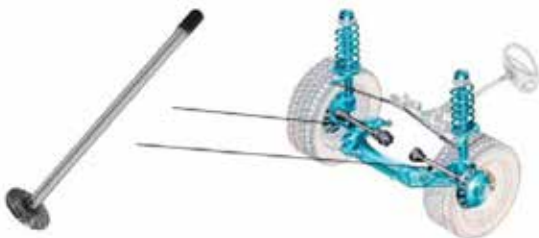
U-bolts are used to clamp leaf springs solidly into place, onto the axle housing/chassis, as the leaf spring acts as a linkage for holding the axle in position.

STEEL PINS



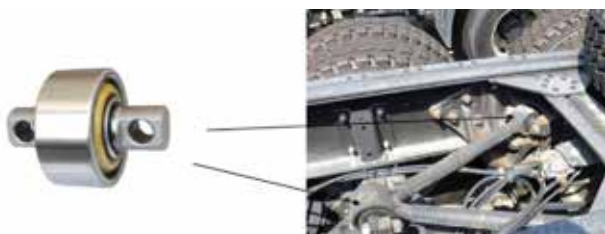
Steel pins are inserted into the eyes at both ends of a leaf-spring suspension system, to connect and support the mounting of the leaf spring onto the automobile.

WHEEL AXLES



Wheel axles are rigid shafts that connect wheels to vehicles, maintaining the positional axis of the wheels relative to each other and to the vehicle body.

TORQUE-ROD BUSHINGS



Torque-rod bushings serve as the connection joints of torque rods - torque rods are affixed via torque-rod bushings at both ends of the torque rod (one end attached to the wheel-axle housing, and the other end attached to the chassis frame.)

DIRECTORS' PROFILE

Wang YuYun **Executive Chairperson**

Wang YuYun, a PRC national aged 34, was appointed as the Executive Director of our Company on 4 April 2012. With effect from 15 May 2014, she was appointed as Executive Chairperson. She graduated from Fujian Supply and Marketing School (later renamed as Fujian Economic School) with a major in financial accounting in February 1998.

Madam Wang started her career at the Footwear Quality Supervision & Testing Center, Ministry of Agriculture of the PRC in 1998 as a product quality inspector, which is responsible for the monitoring of compliance with the product quality standards as set out by the Ministry of Agriculture. Thereafter, she joined FenSun as Finance Manager in September 2004 when it was incorporated, overseeing the company's accounting and financial matters as well as general corporate affairs and management. Madam Wang was promoted to the position of General Manager in 2007. She is currently responsible for accounting and financial matters, procurement and management of our Group. In addition, she also participates in developing business policies and marketing strategies of our Group as well as building rapport with suppliers, customers and the relevant authorities. Madam Wang's knowledge and experience in the automotive parts industry as well as her handling of the Group's accounting and financial matters as well as building rapport with our suppliers and customers have contributed to our growth over the years.

She attended five (5) out of five (5) Board meetings held during the financial year ended 31 December 2013.

Mr Li Guo Qing, the Managing Director, is the spouse of Madam Wang. Other than as disclosed, Madam Wang has no family relationship with any director and/or major shareholder of the Company nor does she have any conflict of interest with the Company. She has not been convicted of any offences within the past ten (10) years.

Li Guo Qing **Managing Director**

Li Guo Qing, a Filipino, aged 34, was appointed as the Managing Director of our Company on 4 April 2012. He is also the Chairman of our Remuneration Committee.

He graduated from Liming Vocational University, Fujian in the PRC, with a major in corporate accounting in July 2002.

Upon graduation, Mr. Li started his career in Fujian Jinjiang Haoda Building Materials Co., Ltd. as a marketing personnel until he joined FenSun in September 2004 upon its incorporation as General Manager. While serving as the General Manager in FenSun, he was primarily responsible for overseeing the production, sales and marketing, and general corporate affairs and management of the company. His strong business acumen, proactive management and established business network, have contributed significantly to the growth of our Group over the years. Mr. Li was promoted to FenSun's Managing Director in 2007. As the Managing Director of FenSun, he is involved in major decision making of our Group, mainly responsible for the implementation of our management policies as well as formulation and execution of the strategic development of our Group. His expertise and experience, coupled with his interest and passion in the automotive parts industry, have equipped him for a pivotal role in steering the growth and success of our Group.

Mr. Li is the Executive Director of World Jinjiang Youth Association, a specially-invited member of the 12th Jinjiang Committee of the Chinese People's Political Consultative Conference, the Deputy Chairman of Jinjiang Chamber of Commerce, Meiling District, the Executive Director of Jinjiang Youth Chamber of Commerce, the Executive Director of Association of Foreign-investment Enterprise of Jinjiang City of Fujian Province as well as a standing committee member of Jinjiang Federation of Industry and Commerce.

He attended five (5) out of five (5) Board meetings held during the financial year ended 31 December 2013.

Madam Wang YuYun, the Executive Chairperson, is the spouse of Mr. Li. Other than as disclosed, Mr. Li has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

DIRECTORS' PROFILE (cont'd)

Lim Kock Hooi **Independent Non-Executive Director**

Lim Kock Hooi, a Malaysian, aged 56, was appointed as an Independent Non-Executive Director of our Company on 1 June 2012. He is a member of our Audit Committee, Nomination Committee and Remuneration Committee.

He graduated with a Bachelor of Science degree with Honours, majoring in Applied Geology from University of Malaya in 1981. Upon graduation, he started his career in Petroliam Nasional Berhad ("PETRONAS") as a petroleum geologist and was mainly involved in the evaluation of hydrocarbon acreage in Malaysia and South East Asia for eight (8) years.

Mr. Lim furthered his studies during his tenure in PETRONAS and in 1988, he graduated with a Bachelor of Laws degree with Honours from University of London, United Kingdom and completed his Certificate in Legal Practice the following year. Following that, he switched from being a petroleum geologist to a senior legal counsel during his employment in PETRONAS until 1996. During his tenure in PETRONAS, he acted as legal adviser on upstream oil and gas contracts and petroleum-related joint ventures within Malaysia and the South East Asian region.

Mr. Lim then chambered at Messrs. Azman, Davidson & Co. and in 1997, he was called to the Malaysian Bar as an Advocate and Solicitor. In 1997, he was made a partner in Messrs. Azman, Davidson & Co. and was subsequently promoted to Managing Partner of the firm in 2009. His main responsibility being the Managing Partner was to manage the firm with a personal focus on the oil and gas industry, where he gained vast experience in legal advisory for project work in energy, construction as well as engineering, construction and insurance claims, in addition to oversight for initial public offering due diligence. Further, he has also been a member of the Chartered Institute of Arbitrators ("CI Arb"), United Kingdom since 1999 and is currently a Fellow of CI Arb.

After 15 years in Messrs. Azman, Davidson & Co., Mr. Lim left and joined Caelus Energy Asia GP Ltd. in 2012 as Senior Vice President, Legal and Malaysia Country Manager, a role he has held to date. His main responsibility is to manage the company's regional office based in Kuala Lumpur as well as to monitor the company's legal portfolio in the Asia Pacific region. Mr. Lim attended five (5) out of five (5) Board meetings held during the financial year ended 31 December 2013. Mr. Lim has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

Chung Wai Choong **Independent Non-Executive Director**

Mr Chung Wai Choong, Malaysian, aged 54, was appointed an Independent Non-Executive Director of our Company on 1 June 2012. He is the Chairman of our Audit and Nomination Committees and a member of our Remuneration Committee.

Mr Chung is currently also an Independent Non-Executive Director of Sentoria Group Berhad, a company listed on the Main Market of Bursa Malaysia and XingHe Holdings Berhad (formerly known as Key West Global Telecommunications Berhad), a company listed on the ACE Market of Bursa Malaysia.

Mr Chung, a member of the Malaysian Institute of Certified Public Accountants ("MICPA") since 1986 and a member of the Malaysian Institute of Accountants since 1987, articulated with Hanafiah Raslan & Mohamad (then also practising as Touche Ross & Co.) in 1980 and then joined Coopers & Lybrand, Singapore in 1987. In 1988, he returned to Malaysia to join Mustapha Law/Touche Ross & Co. Upon the merger of Mustapha Law/Touche Ross & Co. and Kassim Chan & Co./Deloitte Haskins & Sells in 1992, he was transferred to the merged firm's management consultancy arm as a senior manager. He commenced public practice in 1993 when he joined Sekhar & Tan as a principal. He retired from public practice in 2003 as a partner and in January 2004, he joined Leweko Resources Berhad ("Leweko"), a company listed on the Main Market of Bursa Malaysia, as its General Manager (Corporate Finance) and was subsequently made its Executive Director (Corporate Affairs) in February 2004. He was also a member of the Board of Directors of Leweko from 9 February 2004 to 30 October 2010. In November 2010, he joined Hexagon Holdings Berhad, a company listed on the Main Market of Bursa Malaysia as its Group Head of Corporate Affairs and he resigned from that position on 31 May 2012. He has extensive experience in auditing and has also worked on special assignments involving corporate finance, corporate recovery, project management, systems review, corporate restructuring, mergers and acquisitions, and feasibility studies for multinational and large national enterprises.

In addition, Mr Chung was the joint company secretary of Lingui Developments Berhad and Glenealy Plantations (Malaya) Berhad (both of which have since been privatised and delisted from the Main Market of Bursa Malaysia), and Teck Guan Perdana Berhad (also listed on the Main Market of Bursa Malaysia) at various times from 1996 to early 2003 and Leweko during his tenure there. He has also previously served as a member of the MICPA's Auditing and Accounting Standards Committee.

Mr Chung attended four (4) out of five (5) Board meetings held during the financial year ended 31 December 2013. Mr Chung has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

DIRECTORS' PROFILE (cont'd)

Dr. Chen Boon Heow

Independent Non-Executive Director

Dr. Chen Boon Heow, a Malaysian, aged 55, was appointed as an Independent Non-Executive Director of our Company on 27 November 2012. He is a member of our Audit Committee and Nomination Committee.

He graduated with a Bachelor in Accounting degree with Honours from University of Malaya in 1984. Dr. Chen furthered his studies and was conferred a Doctorate in Business Administration by University of South Australia in 2005. He is a member of the Malaysian Institute of Accountants (MIA) since 1987, a member of the Malaysian Institute of Certified Public Accountants (MICPA) since 1987, a Fellow of Chartered Tax Institute of Malaysia (CTIM) since 1995 and a Fellow of CPA Australia since 2008.

Dr. Chen started his career as an audit assistant with Hanafiah Raslan & Mohamad upon his graduation in 1984. In 1989, he founded the public accounting practice of Chen & Co. Chartered Accountants, with offices in Penang and Taiping to offer audit and assurance, accounting, corporate planning and business advisory services to a diverse range of local and foreign-owned clients involved in various industries including manufacturing, property development, trading, investment holding, transportation and agro-based. Dr. Chen is also involved in the provision of various tax compliance and tax advisory services through PAC Tax Services Sdn Bhd, a company he co-founded in 2001. In his business advisory services, Dr Chen also has experience in business performance, governance, risk and compliance matters as well as advising matters on internal control procedures. He also advised clients in the areas of cost and cash flow control and management and reporting system improvement.

He attended five (5) out of five (5) Board meetings held during the financial year ended 31 December 2013.

Dr. Chen has no family relationship with any director and/or major shareholder of the Company nor does he have any conflict of interest with the Company. He has not been convicted of any offences within the past ten (10) years.

KEY MANAGEMENT TEAM

Lai Fong Ling **Chief Financial Officer**

Lai Fong Ling, a Malaysian, aged 47, is the Chief Financial Officer of our Group. She is responsible for overseeing our Group's accounting and financial reporting functions, compliance with the Main Market Listing Requirements of Bursa Malaysia and regulatory reporting in Malaysia.

She has more than 20 years of working experience in financial management and corporate finance. Prior to joining our Group in September 2013, she was the Chief Financial Officer of CBSA Berhad and had been with the company since 2006. She joined Puncak Niaga (M) Sdn Bhd as Manager – Finance & Accounts in 2000 and progressed to the position of Senior Manager, a position she last held before leaving the company in 2005. She has also served in the Corporate Planning Department of The Lion Group from 1995 to 2000 and another public listed property development company from 1993 to 1995. She holds a Bachelor Degree in Accounting and a Diploma in Management Accounting.

Li ShiXian **Production Manager**

Li ShiXian, a PRC national, aged 43, is the Production Manager of our Group and mainly responsible for overseeing our general production activities and quality assurance. Due to his knowledge in the technical aspects of automotive-parts manufacturing, he is also actively involved in R&D activities.

Mr. Li has over 16 years of experience in the automotive-parts industry. His career started in 1986 when he joined Jinjiang Daxiawu Machinery Factory in Jinjiang as a worker responsible for machine operation. In 1990, he joined Shenzhen Jinyuan Toy Factory as mould workshop supervisor to oversee the mould design process. In 1996, he returned to the automotive-parts industry by joining Jinjiang Goutou Automotive Parts Factory as production team leader and was subsequently promoted to various positions including workshop director and factory director. He brought with him approximately 11 years of hands-on experience and knowledge in the management of production operations when he joined our Group in November 2007 to assume his current position. In 2008, he was accredited as an assistant engineer specialising in mechanical design by Quanzhou Professional Title Reform Office.

Li JianDe **Sales and Marketing Manager**

Li JianDe, a PRC national, aged 53, is the Sales and Marketing Manager of our Group. He heads the sales and marketing department of our Group and is mainly responsible for overseeing our sales and marketing activities.

Mr. Li has accumulated over 29 years of experience in the marketing of automotive parts. His career started in 1983 when he joined Zhushuxia Automotive Parts Factory in Jinjiang as a sales personnel for automotive parts until 1985. For seven (7) years thereafter until 1992, he had been concurrently involved in sales for various automotive part companies in several cities of the PRC, including Nanjing and Nanchang. In 1993, he settled down in Nanjing and joined Nanjing Jingujian Dawang Factory, where he had also served as a sales personnel for automotive parts. He left Nanjing after seven (7) years and returned to Jinjiang to join Jinjiang Juwang Machinery Factory in 2001 as a sales personnel for automotive parts until 2006. In January 2007, he was hired by our Group in his current position as Sales and Marketing Manager.

KEY MANAGEMENT TEAM (cont'd)

Lu XiaoZhi

Chief Financial Officer, China Operations

Lu XiaoZhi, a PRC national, aged 32, is the Chief Financial Officer of our Group for China Operations. He is responsible for overseeing overall accounting and financial aspects of our Group in China.

Mr. Lu graduated from Sanming College, Fujian (later renamed as Sanming University) in June 2003 with majors in finance and insurance. He is a holder of the Certificate of Accounting Professional issued by the Quanzhou Finance Bureau in April 2006, which has allowed him to work as an accountant in the PRC. In addition, he has also passed the national accounting examination organised by the Ministry of Human Resources and Social Securities of the PRC and qualified as a Junior Accountant in May 2009.

Upon graduation from Sanming College, he started his career at Quanzhou Jiatai Accounting and Bookkeeping Firm as an accountant. Prior to joining our Group, he was promoted to accounts supervisor and led a team to provide accounting and bookkeeping services. He joined our Group as Assistant Finance Manager in February 2012 and promoted to his current position in 2013. He brought with him over eight (8) years of experience and knowledge in accounting.

Li Jian

Deputy Production Manager

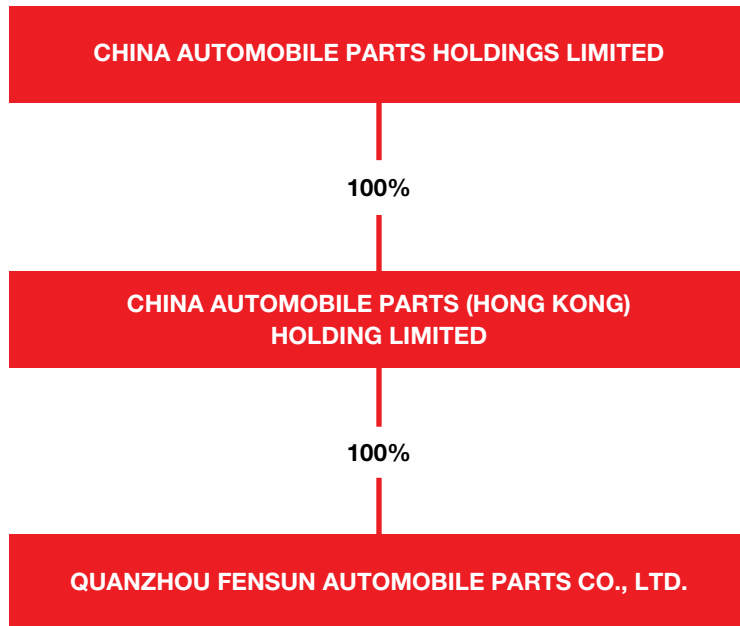
Li Jian, a PRC national, aged 35, is the Deputy Production Manager of our Group. He is mainly responsible for assisting the Production Manager in managing the efficiency of our Group's manufacturing processes as well as human resource management and administration affairs of our production plant.

Mr. Li graduated from Nanyang Institute of Technology, Henan with major in Applied Electronic Technology of Electronic and Information Engineering (later renamed as Electronics and Electrical Engineering) in July 1999. He was accredited as a senior facility engineer by CHC Manager Human Resource Committee of China High-technology Education Working Committee in 2009. Upon graduation, he worked in Lite-On Technology Corp. as a Mechanical Engineer. In 2003, he joined Yumei (Shantou) Garment Co., Ltd., a subsidiary of Eagle Nice (International) Holdings Ltd. (listed on Hong Kong Stock Exchange) as an Industrial Engineer and was subsequently promoted to workshop supervisor in 2004, overseeing its general production operations. In 2006, he joined Fujian SBS Zipper Science and Technology Co., Ltd., (listed on China Shenzhen Stock Exchange) as Production Manager, overseeing the efficiency of the production operations.

Mr. Li was an adviser for process efficiency optimisation to Xiamen Gold Way Enterprise Management Consulting Co., Ltd. prior to joining our Group. In February 2012, he joined our Group to assume his current position and brought with him over twelve (12) years of experience and knowledge in the management of production operations.



CORPORATE STRUCTURE



FINANCIAL HIGHLIGHTS

Financial Year Ended ("FYE") 31 December	Proforma* 2009 (RMB'000)	Proforma* 2010 (RMB'000)	Proforma* 2011 (RMB'000)	Actual 2012 (RMB'000)	Actual 2013 (RMB'000)
Revenue	373,138	452,094	605,327	701,737	787,312
Gross Profit	106,221	136,548	194,769	224,892	253,150
Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)	100,734	129,402	180,712	182,821 ¹	205,222
Profit Before Taxation (PBT)	99,466	127,505	177,522	176,640 ¹	201,103
Profit After Taxation (PAT)	86,928	95,286	132,712	131,314 ¹	141,382
Revenue Growth (%)	N/A	21.2	33.9	15.9	12.2
Gross Profit Margin (%)	28.5	30.2	32.2	32.0	32.2
EBITDA Margin (%)	27.0	28.6	29.9	26.1	26.1
PBT Margin (%)	26.7	28.2	29.3	25.2	25.5
PAT Margin (%)	23.3	21.1	21.9	18.7	18.0
Basic Earnings Per Share (RMB)	0.14	0.16	0.22	0.26	0.24

Notes:

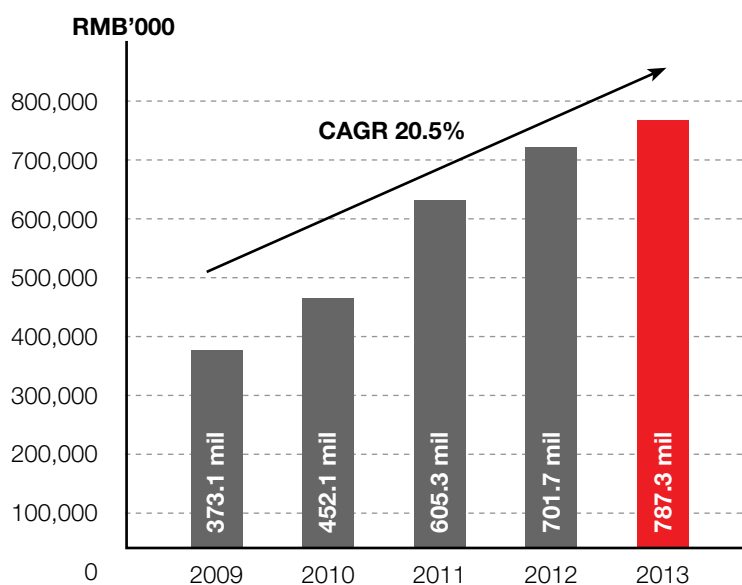
N/A = Not Available

(1) Included a one-off expense of RMB22.8 million in relation to 33.75 million Shares received by GuoTai International Holding Limited from Ong Juan Tee and dealt with as an equity-settled share-based payment in accordance with IFRS 2 Share-based Payment and Initial Public Offering ("IPO") listing expenses of RMB5.7 million.

* The proforma consolidated results were prepared on the assumption that our Group had been in existence throughout the periods under review. The proforma consolidated results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the proforma consolidated financial information set out in Section 10.7 of China Automobile Parts Holdings Limited's IPO Prospectus dated 11 January 2013.

REVENUE

FYE 31 December	2009 (RMB'000)	2010 (RMB'000)	2011 (RMB'000)	2012 (RMB'000)	2013 (RMB'000)
Revenue	373,138	452,094	605,327	701,737	787,312
CAGR	← 20.5% →				

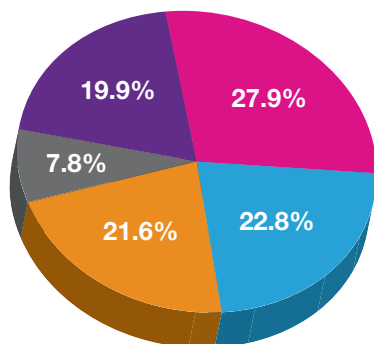


FINANCIAL HIGHLIGHTS (cont'd)

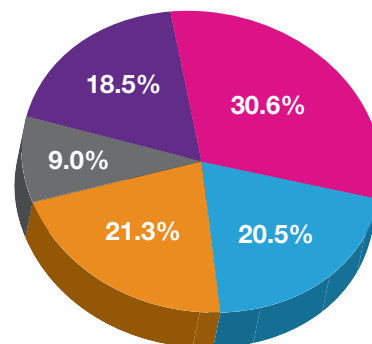
Revenue Breakdown By Products

FYE 31 December Revenue	2009 (RMB'000)	2010 (RMB'000)	2011 (RMB'000)	2012 (RMB'000)	2013 (RMB'000)
U-bolts	94,075	118,503	182,661	195,681	241,009
Steel pins	89,010	98,363	146,795	159,789	161,705
Wheel axles	26,118	60,782	119,865	151,652	167,998
Wheel-hub bolts	91,932	82,366	46,741	54,851	71,051
Torque-rod bushings	72,003	92,080	109,265	139,764	145,549
Total	373,138	452,094	605,327	701,737	787,312

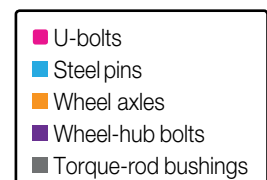
FYE 31 December Revenue	2009 %	2010 %	2011 %	2012 %	2013 %
U-bolts	25.2	26.2	30.2	27.9	30.6
Steel pins	23.9	21.8	24.3	22.8	20.5
Wheel axles	7.0	13.4	19.8	21.6	21.3
Wheel-hub bolts	24.6	18.2	7.7	7.8	9.0
Torque-rod bushings	19.3	20.4	18.0	19.9	18.5
Total	100.0	100.0	100.0	100.0	100.0



FYE 2012



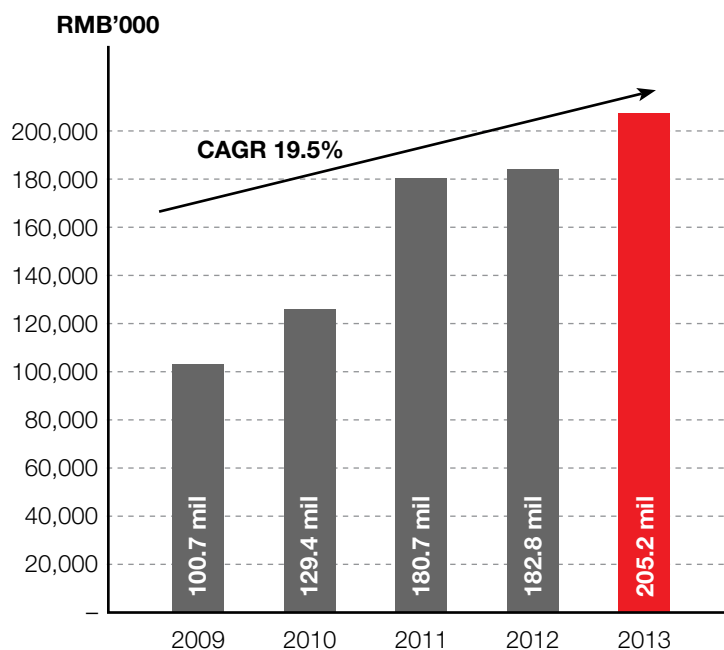
FYE 2013



FINANCIAL HIGHLIGHTS (cont'd)

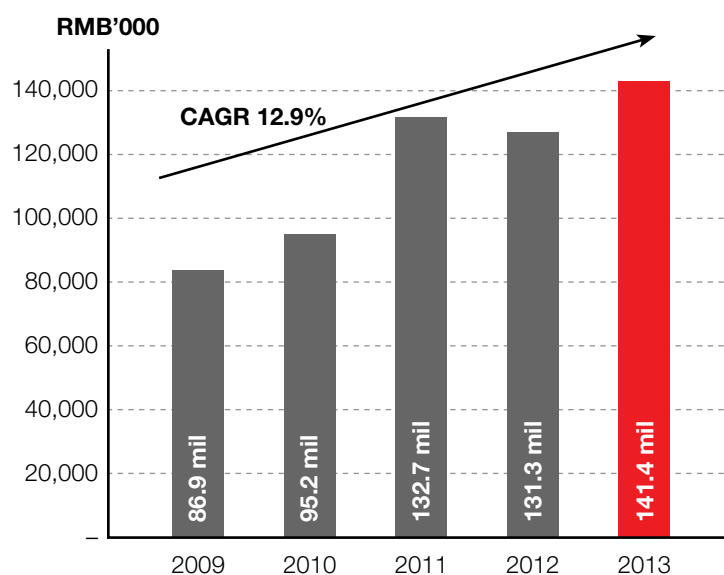
EBITDA

FYE 31 December	2009 (RMB'000)	2010 (RMB'000)	2011 (RMB'000)	2012 (RMB'000)	2013 (RMB'000)
EBITDA	100,734	129,402	180,712	182,821	205,222
CAGR	← 19.5% →				



Profit After Tax

FYE 31 December	2009 (RMB'000)	2010 (RMB'000)	2011 (RMB'000)	2012 (RMB'000)	2013 (RMB'000)
Profit After Tax (PAT)	86,928	95,286	132,712	131,314	141,382
CAGR	← 12.9% →				



CHAIRPERSON'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors ("Board"), I am delighted to report another year of good performance. During the financial year ended 31 December 2013 ("FYE 2013"), our Group achieved higher revenue and profits.

OPERATING ENVIRONMENT

Despite a more challenging global environment, the People's Republic of China's ("PRC") economy grew 7.7% year-on-year in 2013, the same as 2012 (Source: China's National Bureau of Statistics) although there were earlier indications of a slowdown. Industrial output grew 9.7% in 2013 as compared to a 10.0% growth in 2012. In 2013, major sectors all saw a year-on-year rise, with the automotive industry becoming the top gainer by surging 14.9%, with record sales of 21.98 million vehicles. (Source: Xinhuanet) The commercial vehicles segment experienced positive growth with the production and sales of commercial vehicles reaching 4.03 million and 4.06 million units respectively, an increase of 7.6% and 6.4% from 2012. (Source: China Association of Automobile Manufacturers).

REVIEW OF GROUP'S PERFORMANCE

I am pleased to report that for the financial year under review, our Group registered a revenue of RMB787 million (approximately RM406 million) and a pre-tax profit of RMB201 million (approximately RM104 million). Revenue and pre-tax profit growth for FYE 2013 was 12.2% and 13.8% respectively. This was in line with our expectations of continued domestic demand for our chassis components on the back of robust sales of new commercial vehicles and the need for parts replacement from wear and tear of commercial vehicles.

The growth in our revenue was a result of our vigorous marketing efforts to grow our own proprietary brands under the "PL", "LIDUN" and "SUOLI" trademarks to have a stronger foothold in PRC market. Our pre-tax margin improved marginally to 25.5% in FYE 2013 as compared to 25.2% in the previous year. Administrative expenses were substantially lower by 25.4% compared to the preceding year, but this was negated by higher selling and distribution expenses following our increased marketing and branding activities as well as listing expenses incurred for the Initial Public Offering of our Company's shares on the Main Market of Bursa Malaysia Securities Berhad in January 2013.

GROUP'S PROSPECTS AND BUSINESS DEVELOPMENT PLANS

For the first quarter of 2014, the production and sales of commercial vehicles reached 1.09 million and 1.05 million units respectively, up 7.8% and 5.1% year-on-year.

In April 2014, monthly production and sales of commercial vehicles decreased by 11.7% and 13.9% respectively. This decrease has brought the production and sales of commercial vehicles for the first four months of 2014 to slower year-on-year growth rates of 5.6% and 3.3% respectively. (Source: China Association of Automobile Manufacturers).

PRC's economy expanded 7.4% quarter-on-quarter for the first quarter of 2014. Although fraught with global uncertainties, PRC's 2014 GDP growth is expected to stay at about 7.5%, according to a report by the Institute of Industrial Economics of the Chinese Academy of Social Sciences. Growth prospects for 2014 are, however, sensitive to any structural shifts currently taking place in PRC's economy.

Looking forward, the Board is of the view that our Group will operate in a challenging business environment with indications of a moderation in the Chinese economic growth and the likelihood of structural reforms and transformation by PRC's policymakers which may impact the Chinese economy. However, we are confident that the demand for our chassis components will be sustainable due to the need for parts replacement arising from the wear and tear market in PRC and we anticipate performing reasonably well in 2014.

We believe that our Group is poised for long-term growth. We will relentlessly pursue every opportunity to develop our earnings potential to deliver value for the benefit of our shareholders, employees, customers and all other stakeholders.

With the right strategies in place, we will enhance our competitiveness to mitigate the business risks that we face. Going forward, our Group will focus on the following measures:

CHAIRPERSON'S STATEMENT (cont'd)

(1) Strengthen market position with advertising initiatives and trade fair participation

Visibility is key in our industry. We will continue to participate actively in trade exhibitions, both internationally and domestically, to promote and create brand recognition for our proprietary products. We shall also invest in billboard displays across China to strengthen brand equity and awareness for our products. We believe that our marketing efforts will contribute towards strengthening our market position in the domestic PRC market.

(2) Expand distribution network and geographical footprint

We have a strong distribution network throughout the provinces and municipalities in PRC, supported by 21 authorised distributors and 8 export-oriented trading houses. Our strategy is to continue identifying suitable distribution partners in areas that are presently untapped and not within our coverage. We have recently appointed new dealers in Guangzhou and Xinjiang. In the coming months, we should extend our reach to Gansu and Inner Mongolia. With the appointment of these dealers in the new geographical areas, the number of our authorised distributors is expected to increase to 25 by the end of 2014.

(3) Improve cost and productivity efficiencies

Efforts on improving cost and productivity efficiencies will continue to take place. We have consistently maintained our operating profit margins as we have remained vigilant in minimising wastages in production. We have progressively transitioned from mastery of manual metal working competencies, to incorporation of computer-aided machining, and in-house re-engineering of manufacturing processes. These efforts will, in turn, increase production efficiencies, improve product quality and eventually profit margins.

CORPORATE DEVELOPMENTS

The Company was successfully listed on the Main Market of Bursa Malaysia Securities Berhad on 30 January 2013.

To reward our shareholders for their continuous support and future participation in the future growth of the Company, on 30 December 2013, the Company issued 300,000,000 bonus warrants ("Warrants") on the basis of one (1) Warrant for every two (2) existing ordinary shares in the Company. These Warrants which entitled the holder to subscribe for one (1) new share in the Company at 35 sen per share during the exercise period expiring on 29 December 2016, were admitted to the Official List and quoted on the Main Market of Bursa Malaysia Securities Berhad on 3 January 2014.

DIVIDENDS

The Board remains committed to creating value and delivering fair returns to our shareholders.

In pursuance of this commitment, the Company has paid an interim dividend of 1.0 sen per ordinary share on 30 December 2013.

The Board has recommended a final dividend of 1.518 sen per ordinary share in respect of FYE 2013 for the approval of the shareholders at the forthcoming Second Annual General Meeting. If approved, this will bring the total dividend pay-out for FYE 2013 to 2.518 sen per ordinary share.

APPRECIATION

We were saddened by the sudden demise of our beloved Chairman, Allahyarham Dato' Seri Datuk Dr Haji Jalaluddin bin Abdul Rahim on 9 January 2014. My fellow Directors and I would like to record our thanks and appreciation for his invaluable advice and contribution to our Group during his tenure as Chairman.

Our Founder, Mr Ong Juan Tee has, on 16 May 2014, resigned as our Director and Vice-Chairman for health reasons. On behalf of the Board, I wish to thank him for the advice, support and guidance without which our Group would not be what it is today.

To our management and staff, the Board thank you for your unabated contributions, dedication, commitment and loyalty in seeing us through another successful year.

To our shareholders, my fellow Directors and I are grateful for your confidence in our Group. We look forward to your continued support as we move forward to grow and achieve greater success together.

Last but not least, our gratitude and sincere thanks are also extended to our customers, bankers, business partners and associates, government authorities and agencies for their invaluable support and advice.

Thank you.

Wang YuYun (Madam)
Executive Chairperson

MANAGEMENT DISCUSSION AND ANALYSIS

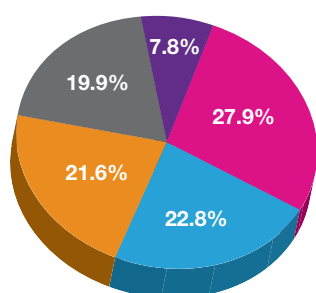
The Group continued to achieve double-digit sales growth in the financial year ended (“FYE”) 31 December 2013, albeit at a slower rate of 12.2% when compared to the previous year’s 15.9%. In FYE 2013, our revenue improved to RMB787.3 million from that of RMB701.7 million in FYE 2012. The revenue increase was attributed to our intensified marketing activities to strengthen our market position and bolster the brand equity of our proprietary products in the domestic PRC market.

U-bolts, steel pins and wheel axles continued to be the largest contributors to our revenue. Total sales of our own proprietary brands grew 13.5% as compared to OEM-specification sales, which increased by 10.0%. Among all our products, wheel-hub bolts, u-bolts and wheel axles sales recorded double-digit growth rates of 29.5%, 23.2% and 10.8% respectively. On the other hand, sales growth for torque-rod bushings and steel pins were in single digit – registering growth of 4.1% and 1.2% respectively. This was caused mainly by a decline in sales of OEM-specification products in these 2 categories.

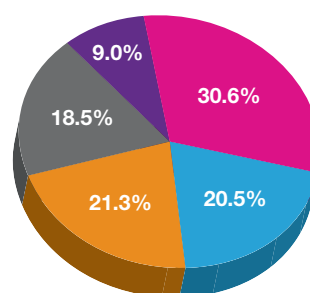
While the average selling prices for wheel axles and wheel-hub bolts improved slightly in FYE 2013, these were negated by lower average selling prices for u-bolts, steel pins and torque-rod bushings.

Revenue analysis by product mix

Product type	FYE 2012 RMB'000	%	FYE 2013 RMB'000	%	% of Growth by Product Mix
Own brands					
U-bolts	127,965	28.8	150,252	29.8	17.4
Steel pins	104,300	23.5	108,320	21.5	3.9
Wheel axles	95,567	21.5	104,020	20.6	8.8
Torque-rod bushings	84,786	19.1	99,873	19.8	17.8
Wheel-hub bolts	32,131	7.2	42,278	8.4	31.6
Sub-total	444,749	100.0	504,742	100.0	13.5
OEM-Specification					
U-bolts	67,716	26.3	90,758	32.1	34.0
Steel pins	55,489	21.6	53,385	18.9	-3.8
Wheel axles	56,085	21.8	63,978	22.6	14.1
Torque-rod bushings	54,978	21.4	45,676	16.2	-16.9
Wheel-hub bolts	22,720	8.8	28,773	10.2	26.6
Sub-total	256,988	100.0	282,569	100.0	10.0
Total					
U-bolts	195,681	27.9	241,009	30.6	23.2
Steel pins	159,789	22.8	161,705	20.5	1.2
Wheel axles	151,652	21.6	167,998	21.3	10.8
Torque-rod bushings	139,764	19.9	145,549	18.5	4.1
Wheel-hub bolts	54,851	7.8	71,051	9.0	29.5
Total	701,737	100.0	787,312	100.0	12.2



FYE 2012



FYE 2013

■ U-bolts ■ Steel pins ■ Wheel axles ■ Wheel-hub bolts ■ Torque-rod bushings

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Revenue analysis by domestic sales and exports

Our own proprietary brands are sold via our distribution network of 21 authorised distributors and our OEM-specification products are sold to 8 trading houses which in turn sell the products to overseas customers in Southeast Asia, the Middle East and South Africa.

In line with our strategy to focus on our own proprietary brands, domestic sales accounted for 64.1% in FYE 2013, an increase from 63.4% in FYE 2012. Although contribution from the OEM-specification products is smaller, in absolute terms, sales of OEM-specification products is still on an upward trend, having increased by RMB25.6 million or 10.0% in FYE 2013.

Product market	FYE 2012		FYE 2013	
	RMB'000	%	RMB'000	%
Domestic (own brands)	444,749	63.4	504,742	64.1
Overseas (OEM-specification)	256,988	36.6	282,569	35.9
Total	701,737	100.0	787,312	100.0

Sales growth (%)

Domestic (own brands)

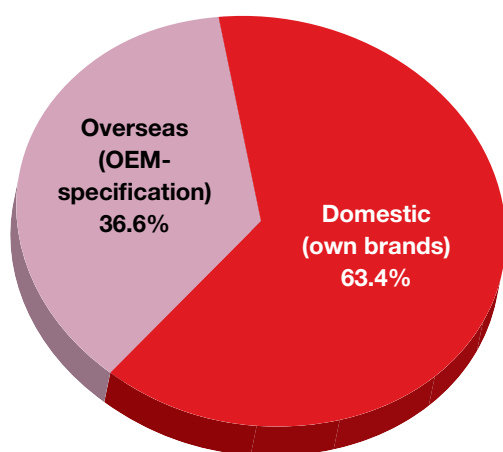
13.5%

Overseas (OEM-specification)

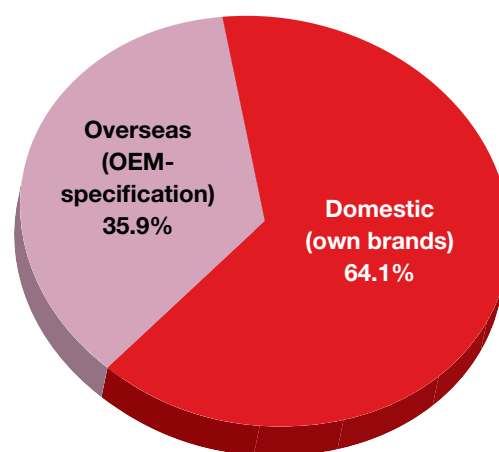
10.0%

Total

12.2%



FYE 2012



FYE 2013

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Analysis of Gross Profit ("GP"), Profit Before Tax ("PBT") and Profit After Tax ("PAT") margins

	FYE 2012	FYE 2013
GP (RMB'000)	224,892	253,150
GP margin (%)	32.0	32.2
PBT (RMB'000)	176,640	201,103
PBT margin (%)	25.2	25.5
PAT (RMB'000)	131,314	141,382
PAT margin (%)	18.7	18.0

Our Group achieved a marginally better gross profit margin of 32.2% in FYE 2013 compared to 32.0% in FYE 2012 due in part to lower cost of input steel raw materials.

PBT margin also has registered a marginal improvement to 25.5% in FYE 2013 from 25.2% in FYE 2012. In absolute terms, PBT improved by 13.9% to RMB201.1 million from RMB176.6 million in the preceding financial year due to higher revenue.

In our efforts to expand market reach in the PRC, the Group has incurred higher selling and distribution expenses of RMB10.9 million in FYE 2013 from RMB6.8 million a year ago. In spite of that, we still managed to maintain our PBT margin due to our prudent cost management controls.

In FYE 2013, on the back of higher revenue, the Group recorded a higher PAT of RMB141.4 million, an increase of 7.7% from RMB131.3 million in FYE 2012. PAT margin registered for FYE 2013 is lower at 18.0% compared to 18.7% in the previous financial year. Despite a higher PAT in absolute terms, earnings per share reduced from RMB0.26 per share in FYE 2012 to RMB0.24 per share in FYE 2013 due to the dilution consequential to the issuance of new 90,000,000 ordinary shares of US\$0.10 each pursuant to the Initial Public Offering ("IPO").

The Group's shareholders' equity as at 31 December 2013 stood at RMB643.5 million, an increase of RMB250.5 million or 63.7% over the previous year. The increase was mainly due to the proceeds from the issuance of new ordinary shares pursuant to the IPO of RMB123.2 million and net earnings for FYE 2013 of RMB141.4 million, after netting the interim dividend payment of RMB10.7 million.

In line with the increase in shareholders' equity, net assets per share increased by 28.0% from RMB0.77 per share at the end of FYE 2012 to RMB1.07 per share at the end of FYE 2013.

The Group continues to maintain healthy cash and cash equivalents which stood at RMB388.9 million as at 31 December 2013 compared to RMB218.8 million as at 31 December 2012. The increase of RMB170.1 million was mainly generated from net cash flow from operating activities of RMB128.0 million and net cash flow from financing activities of RMB95.0 million which was mainly contributed by the IPO's issuance of shares.

STATEMENT ON CORPORATE GOVERNANCE

The Malaysian Code of Corporate Governance 2012 (“Code”) sets out the broad principles and specific recommendations on structures and processes that listed issuers should adopt in making good corporate governance an integral part of their business dealings and culture. The Board of Directors (“Board”) of China Automobile Parts Holdings Limited (“Company”) recognises the importance of adopting a high standard of corporate governance in directing and managing businesses and affairs of the Company and its subsidiary companies (“Group”) to safeguard and enhance shareholders’ value and performance of the Group.

The Board is pleased to disclose below the manner in which it has applied the principles and complied with the recommended best practices set out in the Code throughout the financial year ended 31 December 2013. Where a specific recommendation of the Code has not been observed during the financial year under review, the non-observation, including the reasons thereof, is narrated accordingly in this Statement.

PRINCIPLE 1: ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

The Board is responsible for the overall governance of the Group and plays an active role in determining the long term direction and strategy of the Group in order to enhance shareholders’ value.

The responsibilities of the Board include six (6) specific areas as follows:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Group’s business;
- Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- Succession planning;
- Overseeing the development and implementation of a shareholder communications policy for the Group; and
- Reviewing the adequacy and the integrity of internal control systems and the management information of the Group.

Despite the fact that the Group now has an Executive Chairperson, there is a clear division of responsibilities between the Executive Chairperson and the Managing Director. The Executive Chairperson is responsible for ensuring Board effectiveness and ensures that conduct and workings of the Board are in an orderly and effective manner whereas the Managing Director takes on the primary responsibility of managing the Group’s businesses and resources. The role of the Managing Director is to ensure a balance of power and authority and he is responsible and accountable for the development and implementation of strategies, as well as overseeing and managing the day-to-day operations of the Group.

Notwithstanding the above, the Board recognises that the recent appointment of Madam Wang YuYun, as Executive Chairperson, being the spouse of the Managing Director, is not in compliance with best practice. However, considering that Madam Wang was one of the pioneer members of the Group and coupled with her extensive experience in operations of the Group, she is able to lead the Board and ensure the effective functioning of the Board. In addition, the current Board, with a majority of Independent Non-Executive Directors, is still able to exercise objective judgement on business and corporate affairs, independent from Executive Management as the Executive Directors, including the Executive Chairperson, do not have majority vote. In respect of any potential conflicts of interest, the Board is comfortable that there is no undue risk involved as any related party transactions will be disclosed and strictly dealt with in accordance with the Main Market Listing Requirements of Bursa Securities (“Listing Requirements”).

The Board delegates certain responsibilities to Board committees, all of which operate within defined terms of reference to assist the Board in discharging its fiduciary duties and responsibilities. These committees report to the Board on matters discussed and deliberated and make recommendations to the Board for final decision. These Board committees include the Audit Committee, the Nomination Committee and the Remuneration Committee.

The Board has formalised a Code of Ethics and Conduct which reflects the Group’s vision and core values of integrity, respect and trust. The core areas of conduct include the following:

- Conflict of interest
- Confidential information
- Insider information and securities trading
- Protection of assets
- Business records and control
- Compliance with the law
- Personal gifts and contribution
- Safety, health and environment

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

The Code of Ethics and Conduct governs the conduct of the Directors and all employees of the Group and provides guidance on the communication process and the duty to report whenever there is a breach of the code. The code is reviewed and updated regularly by the Board to ensure that it continues to remain relevant and appropriate.

The Group is mindful of the importance of business sustainability in developing its business operations and corporate strategy. In this respect, the Board has always ensured that all aspects of the Group's business which have direct and indirect impacts on the work place, communities and environment are balanced with the interest of the Group's stakeholders.

The Directors have full and unrestricted access to all information pertaining to the Group's business and affairs including inter-alia, financial results, annual budget and business strategies. The Board agenda and meeting papers are circulated to the Directors at least seven (7) days prior to the meetings so as to allow sufficient time for the Directors to review, consider and deliberate on the issues and, where necessary, to obtain further information and explanations to facilitate informed decision making.

All Directors have direct access to the advice and services of the Company Secretary and Executive Management. The Directors may seek independent professional advice at the Group's expense with prior approval from the Board on any matter in relation to the discharge of their responsibilities.

The Board has formally adopted a Board Charter that sets out the roles and responsibilities of the Board and the standard of conduct expected of Directors. Key matters which are reserved for the Board include but not limited to direction and strategy setting, structure and capital, financial reporting and monitoring, risk management and internal controls, capital management, communications to shareholders, appointment of Board members, company secretary and auditors, remuneration, delegation of authority and corporate governance.

More information on the Board Charter is available on the Group's website at www.china-autoparts.biz.

PRINCIPLE 2: STRENGTHEN COMPOSITION

The present Board consists of five (5) members comprising two (2) Executive Directors and three (3) Independent Non-Executive Directors. The composition of the Board complies with Rule 15.02 of the Listing Requirements which stipulated that at least two (2) Directors or one third (1/3) of the Board, whichever is higher, must be Independent Directors.

The current composition of the Board comprises professionals from various fields to bring together a balance of skills, experience and expertise appropriate to the business. The Directors collectively bring with them wide and varied technical, financial and legal experience to enable the Board to lead and control the Group effectively. The Board shall continue to monitor and review the Board size and composition from time to time.

The Board has not nominated a Senior Independent Non-Executive Director, to whom concerns on issues affecting the Group may be conveyed as the Board is of the opinion that given the strong independent element of the Board and to enhance transparency, any concerns regarding the Group may be conveyed by shareholders to any of the Independent Directors.

To assist the Board to discharge its role and functions effectively, the Board has established the following Board committees:

1. The Audit Committee

The terms and reference as well as further information on the Audit Committee are set out in the Audit Committee Report on page 27 of this Annual Report.

2. The Nomination Committee

The Nomination Committee presently comprises three (3) Independent Non-Executive Directors and its members are as follows:

Chairman : Chung Wai Choong (appointed as Chairman on 24.2.2014*)
(Independent Non-Executive Director)

Members : Lim Kock Hooi
(Independent Non-Executive Director)

Dr. Chen Boon Heow (appointed on 24.2.2014)
(Independent Non-Executive Director)

* To replace Allahyarham Dato' Seri Datuk Dr. Haji Jalaluddin bin Abdul Rahim who passed away on 9 January 2014

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

The Nomination Committee is primarily empowered by its terms of reference in carrying out the following functions amongst others, to review annually the required mix of skills, experience, expertise and diversity of the Board and to recommend new appointments, if any, to the Board.

Recommendation 2.1 of the Code proposed that the Senior Independent Director chairs the nominating committee. As mentioned earlier, the Company has not nominated a Senior Independent Non-Executive Director and as such, there is no compliance with Recommendation 2.1 of the Code. Nevertheless, the Board is satisfied that there is adequate and appropriate mix of experience and expertise in the composition of the Nomination Committee to assist Mr. Chung in assessing the skills, experience and competencies of any potential candidate to be appointed to the Board.

The Nomination Committee is also responsible for assessing the effectiveness of the Board as a whole, all committees of the Board and the contribution of each individual Director including Independent Non-Executive Directors and the Managing Director.

The Nomination Committee also has to ensure that all Directors undergo the appropriate induction programmes and receive continuous training.

The Company does not have a formal gender diversity policy although there is one female Director who incidentally is now the Executive Chairperson of the Group. Nevertheless, the Nomination Committee is of the view that it is important to recruit and retain the best talent regardless of gender, to maximise the effectiveness of the Board, taking into account the balance skills, experience, knowledge and independence, and based on the Group's needs and circumstances. In connection thereto, the Nomination Committee reviews and evaluates annually its requirements for an appropriate mix of skills and experience to ensure Board balance.

The Nomination Committee is satisfied with the contribution and performance of each individual Director and the Board is satisfied that all Independent Directors comply with the criteria of independence based on the Listing Requirements.

3. The Remuneration Committee

The Remuneration Committee presently comprises two (2) Independent Non-Executive Directors and the Managing Director and its members are as follows:

Chairman : Li Guo Qing
(Managing Director)

Members : Chung Wai Choong
(Independent Non-Executive Director)

Lim Kock Hooi (appointed on 24.2 2014*)
(Independent Non-Executive Director)

* To replace Allahyarham Dato' Seri Datuk Dr. Haji Jalaluddin bin Abdul Rahim who passed away on 9 January 2014

The Remuneration Committee is responsible for reviewing and recommending to the Board, the remuneration framework for Executive Directors and senior and key management to ensure that remuneration is set at a coherent and competitive level to recruit, attract, retain and motivate high performing individuals in order to align their interests with those of the Group and its shareholders.

Subject to the applicable rules and regulations, the remuneration of Non-Executive Directors is determined by the Chairman/ person and Executive Director/s, provided that no Director shall be involved in any decision as to his/her own remuneration.

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

For the financial year under review, the aggregate remuneration of the Directors is categorised below:

	Fee (RMB'000)	Salaries and other benefits (RMB'000)	Total (RMB'000)
Executive Directors	-	5,415	5,415
Non-Executive Directors	680	-	680
Total	680	5,415	6,095

Range of Remuneration	No. of Directors	
	Executive	Non-Executive
RMB96,869 to RMB193,733 (approximately RM50,001 – RM100,000)	-	4
RMB1,646,650 to RMB1,743,510 (approximately RM850,001 to RM900,000)	1	-
RMB3,680,746 to RMB3,777,606 (approximately RM1,900,001 to RM1,950,000)	1	-

PRINCIPLE 3: REINFORCE INDEPENDENCE

The Board recognises the importance of independence and objectivity in the decision making process.

The Independent Non-Executive Directors are persons of calibre and credibility with the ability to exercise independent judgement in the Board without fear or favour. Their role is to ensure that any decision of the Board is deliberated fully and objectively with regards to the long term interests of all stakeholders.

Each of the Independent Non-Executive Directors has declared his independence to the Board based on criteria of assessing independence as set out in the Listing Requirements. The Board has assessed the independence of the Independent Non-Executive Directors and has determined that all the three (3) Independent Non-Executive Directors remain objective and independence.

As of the end of the financial year under review, all Independent Non-Executive Directors have been in office for not more than 9 years.

In accordance with the Company's Bye-Laws, an election of Directors shall take place each year during the Annual General Meeting ("AGM"). All Directors shall retire from office at least once every three (3) years, but shall be eligible for re-election. At the forthcoming AGM, Mr. Li Guo Qing and Dr. Chen Boon Heow shall retire from office and being eligible, shall be seeking re-election pursuant to Bye-Law 86(1) of the Company's Bye-Laws. Their profiles are set out in the Directors' Profile on pages 5 and 7 of this Annual Report.

PRINCIPLE 4: FOSTER COMMITMENT

The Board is mindful of the importance of devoting sufficient time and effort to carry out their responsibilities and to enhance their professional skills. Thus, each Director is expected to commit sufficient time and required to notify the Board for accepting any additional appointment of directorships in other public listed companies.

The Board meets on a scheduled basis, at least four (4) times a year to oversee and monitor the development of the Group. Additional meetings are held on an ad-hoc basis to deliberate on matters requiring its immediate attention. The agenda and meeting papers for each item as well as minutes of previous meetings are circulated prior to the Board meetings to give Directors sufficient time to review and to deliberate on the issues to be raised at the Board meetings.

Upon recommendation by the management/committee members, the Board will deliberate and discuss on all matters before any decisions are made. All proceedings of the Board meetings are minuted and signed by the person presiding over the proceedings or over the proceedings at which the minutes are approved in accordance with the provision of Section 81 of Bermuda Companies Act, 1981.

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

The Board is kept updated on the Group's activities and operations on a regular basis. The Directors also have access to all reports on the Group's activities, both financial and operational.

A total of five (5) Board meetings were held during the financial year under review and the summary of attendance by the Directors of these meetings are as follows:

Name	Designation	Number of meetings attended	Percentage of attendance (%)
Allahyarham Dato' Seri Datuk Dr. Haji Jalaluddin bin Abdul Rahim*	Independent Non-Executive Chairman	5/5	100
Ong Juan Tee	Non-Independent Non-Executive Vice Chairman@	3/5	60
Li Guo Qing	Managing Director	5/5	100
Wang YuYun	Executive Chairperson#	5/5	100
Chung Wai Choong	Independent Non-Executive Director	4/5	80
Lim Kock Hooi	Independent Non-Executive Director	5/5	100
Dr. Chen Boon Heow	Independent Non-Executive Director	5/5	100

* Deceased on 9 January 2014

@ Resigned on 16 May 2014

Appointed as Executive Chairperson on 15 May 2014

All Directors have complied with the minimum 50% attendance requirements in respect of the Board meetings as stipulated by the Listing Requirements.

The Board is mindful of the importance for the Directors to undergo continuous training especially on the latest developments and changes to regulatory requirements. In this context, all Directors are encouraged to attend training programs to supplement their knowledge in the latest developments relevant to the Group, especially in the areas of corporate governance and regulatory development so that they can discharge their responsibilities more effectively.

Throughout the financial year under review, the Directors have received updates from time to time on relevant new laws and regulations. Visits by the Directors to the Group's operations in China were also arranged for enhancement of their knowledge in respect of the Group's businesses as well as better awareness of the risks associated with the Group's operations. To achieve this objective, it is the Board's policy that at least two (2) Board meetings are held at the Group's premises in China in every calendar year.

The training programmes, seminars and/or conferences attended by the Directors during the financial year under review were as follows:

Name	Training programmes attended
Li Guo Qing	<ul style="list-style-type: none"> Mandatory Accreditation Programme for Directors of Public Listed Companies
Wang YuYun	<ul style="list-style-type: none"> Mandatory Accreditation Programme for Directors of Public Listed Companies
Dr. Chen Boon Heow	<ul style="list-style-type: none"> The Statement of Risk Management & Internal Control: Guidelines for Directors of Listed Issuers National Tax Conference 2013 IFRS Masterclass 2013 Limited Liability Partnership and the New Taxation Entity The Iclif Leaders Room with David Schmittlein of MIT Sloan National Tax Seminar 2013 Mandatory Accreditation Programme for Directors of Public Listed Companies
Chung Wai Choong	<ul style="list-style-type: none"> IFRS Masterclass 2013 Budget 2014 Tax Seminar Enterprise Risk Management
Lim Kock Hooi	<ul style="list-style-type: none"> IFRS MasterClass 2013 Mandatory Accreditation Programme for Directors of Public Listed Companies AIPN International Conference 2013

STATEMENT ON CORPORATE GOVERNANCE (cont'd)

PRINCIPLE 5: UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY

The Board endeavours to present clear and balanced financial reporting of the Group in relation to its quarterly results reports and annual financial statements at the end of each reporting period and financial year respectively.

The Board is assisted by the Audit Committee who will ensure that the Group applies appropriate accounting policies consistently, and make judgements and estimates that are prudent and reasonable so as to ensure that all the financial statements of the Group comply with all applicable financial reporting standards and provides a true and fair view of the state of affairs and financial position of the Group.

The Board is satisfied that in preparing the financial statements of the Group and the Company for the financial year under review, the Group and the Company have applied the appropriate accounting policies consistently and prudently and that the financial statements have been prepared in accordance with all relevant approved accounting standards.

Annually, the external auditors confirm to the Audit Committee on their independence prior to the commencement and upon completion of their audit engagement. The external auditors have also met with the Audit Committee without the presence of the Executive Management.

PRINCIPLE 6: RECOGNISE AND MANAGE RISKS

The Board is responsible for the Group's risk management framework and the establishment and continuous development of key policies and procedures pertaining to the system of internal control, which provides reasonable assurance of an effective and efficient operation, management of risks, safeguarding of assets, generation and retention of accurate financial records and compliance with applicable laws and regulations.

The Board through the Audit Committee works closely with internal and external auditors to review and improve the system of internal control from time to time with the objective to safeguard the assets of the Group and to ensure proper accountability at all levels of operations. Details of the internal audit function and activities are stated in the Statement on Risk Management and Internal Control on page 32 of this Annual Report.

PRINCIPLE 7: ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Group recognises the importance of timely dissemination of relevant corporate and other information to the regulators, shareholders and investors. Therefore, the Group complies strictly with the disclosure requirements of the Listing Requirements. Information is disseminated via annual reports, circulars to shareholders, press releases, quarterly financial results and announcements from time to time to as well as via Bursa Securities.

To comply with Paragraph 9.21 of the Listing Requirements, the Group also maintains a website at www.china-autoparts.biz that allows all shareholders and investors to gain access to the information relating to corporate information, corporate factsheet, annual reports, analyst reports and quarterly results of the Group.

PRINCIPLE 8: STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

The Board recognises the importance of keeping shareholders, investors, research analysts and the press informed of the Group's business performance, operations and corporate developments. Such information is disseminated via the Group's annual reports, various disclosures to Bursa Securities including quarterly financial results and announcements made from time to time.

Any queries or concerns relating to the Group may be conveyed to the Chief Financial Officer, Ms Lai Fong Ling, in Malaysia and her contact details are:

Email address: laifongling@gmail.com
Telephone no.: +603-6259 9155
Facsimile no.: +603-6241 0400

The AGM remains as a principal forum for dialogue with shareholders. All shareholders are encouraged to attend the AGM, where the shareholders can participate and given the opportunity to ask questions regarding the business operations and financial performance and position of the Group. Members of the Board as well as the external auditors are present to answer questions raised by the shareholders. Status of all resolutions proposed at the AGM is announced to Bursa Securities at the end of the meeting day and all proceedings of the AGM are properly minuted.

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

ADDITIONAL DISCLOSURE REQUIREMENTS PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS

1. Utilisation of Proceeds Raised from Corporate Proposal

The status of the utilisation of the gross proceeds from the Initial Public Offering of RM61.2 million in conjunction with the listing of and quotation for the Company's shares on the Main Market of Bursa Malaysia on 30 January 2013 is as follows:

Purpose of Utilisation	Expected time-frame for utilisation from 30 January 2013	Proposed Utilisation RM'000	Actual utilisation up to 31 March 2014 RM'000	Balance not utilised RM'000
Expand production centre	Within 15 months	25,000	25,000	-
Increase production capacity	Within 18 months	6,100	1,001	5,099
Marketing and branding	Within 12 months	6,000	6,000	-
Estimated listing expenses and working capital	On-going	24,100	24,100	-
		61,200	56,101	5,099

2. Material Contracts

Save for the related party transaction as disclosed in Note 24 to the financial statements, there were no material contracts entered into by the Company or its subsidiaries involving the Directors' and/or major shareholders' interests which were still subsisting at the end of the financial year ended 31 December 2013 or which were entered into since the end of the previous financial year.

3. Share Buy-backs

There was no share buybacks by the Company during the financial year ended 31 December 2013.

4. Options, Warrants or Convertible Securities

On 30 December 2013, the Company issued 300,000,000 bonus warrants to the entitled shareholders of the Company. The warrants were admitted to the Official List and quoted on the Main Market of Bursa Malaysia Securities Berhad on 3 January 2014. As such, no warrants have been exercised and converted into ordinary shares during the year under review.

Save as disclosed above, the Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2013.

5. Depository Receipt Programme

During the financial year ended 31 December 2013, the Company did not sponsor any depository receipt programme.

6. Imposition of Sanctions and Penalty

During the financial year ended 31 December 2013, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

STATEMENT ON CORPORATE GOVERNANCE

(cont'd)

ADDITIONAL DISCLOSURE REQUIREMENTS PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS (cont'd)

7. Non-Audit Fees

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries by the external auditors or a company affiliated to the auditors' firm for the financial year ended 31 December 2013 was RMB101,000.

8. Variation in Results

There was no material deviation between the audited results of the Group for the financial year ended 31 December 2013 and the unaudited results announced on 26 February 2014.

9. Profit Estimates, Forecasts or Projections or Profit Guarantee

The Company did not issue any profit estimates, forecasts or projections for the financial year ended 31 December 2013.

The Company or its subsidiaries did not undertake any corporate proposal which involves it receiving a profit guarantee during the financial year ended 31 December 2013.

10. Recurrent Related Party Transactions

The Company and its subsidiaries did not enter into any recurrent related party transactions of revenue or trading nature during the financial year ended 31 December 2013.

This Statement on Corporate Governance is made in accordance with a resolution of the Board of Directors dated 19 May 2014.

AUDIT COMMITTEE REPORT

GENERAL

The Audit Committee was established to act as a committee of the Board with the primary objective of assisting the Board in fulfilling its fiduciary duties in relation to:

- Assessing the processes in relation to the risk and control environment
- Overseeing the financial reporting function
- Evaluating the internal and external audit processes

The Board reviews the term of office and performance of the Audit Committee and each member at least once every three (3) years to assess the extent to which the Audit Committee and its members have discharged its responsibilities as set out in its terms of reference.

The terms of reference of the Audit Committee are reviewed at least annually by the Board or as and when there are changes to the Malaysian Code on Corporate Governance 2012 or the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Audit Committee may also recommend any changes it consider necessary to the Board for approval.

MEMBERSHIP

The Committee presently comprises the following members:

Chairman : Chung Wai Choong
(Independent Non-Executive Director)

Members : Lim Kock Hooi
(Independent Non-Executive Director)

Dr. Chen Boon Heow
(Independent Non-Executive Director)

TERMS OF REFERENCE

A. Composition

The Board shall appoint the Audit Committee members from amongst themselves, consisting of not less than three (3) Non-Executive Directors. The majority of the Audit Committee members shall be Independent Directors. The members of the Audit Committee shall elect a Chairman from among themselves who is an Independent Director.

At least one member of the Audit Committee shall be a member of the Malaysian Institute of Accountants; or if not a member of the Malaysian Institute of Accountants, the member shall have at least three (3) years' working experience and:

- shall have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967 of Malaysia; or
- shall be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967 of Malaysia; or
- fulfils such other requirements as prescribed or approved by the Bursa Securities.

No alternate Director of the Board shall be appointed as a member of the Audit Committee. Any vacancy in the Audit Committee resulting in the non-compliance of the above paragraphs must be filled within three (3) months.

The Board should ensure effective orientation is given to the new Audit Committee members and that there are adequate experienced Directors on the Audit Committee.

AUDIT COMMITTEE REPORT (cont'd)

B. Meetings and Minutes

i. Quorum

A quorum of any Audit Committee meeting will be three (3) members and a majority of whom must be Independent Directors. In the absence of the Chairman, the members present shall elect a chairman for the meeting from amongst the members present.

ii. Meetings and minutes of meetings

A schedule of meetings will be agreed in advance, however other meetings can be held as determined by the Chairman. The auditors, both internal and external, may request a meeting if they consider that one is necessary. The Audit Committee may invite other Directors and employees to attend its meetings as deemed necessary from time to time. Executive Management, the external and internal auditors may request for a private session with the Audit Committee to discuss any matter of concern.

The Company Secretary shall be appointed Secretary of the Audit Committee ("Secretary"). The Secretary, in consultation with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant supporting papers, at least one (1) week prior to each meeting to the members of the Audit Committee. The minutes of all Committee meetings shall be circulated to the members of the Board, and the Chairman of the Audit Committee shall report on key matters discussed at each meeting to the Board.

iii. Frequency of meetings

The Audit Committee shall meet a minimum of four (4) times per year and more frequently if required, as determined by the Chairman. The Audit Committee shall meet at least twice annually with the internal auditor and the external auditors without presence of any Executive Directors, Executive Management or employees, to discuss any matters the Audit Committee considers relevant to the purpose of the Audit Committee.

C. Authority

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is also authorised to seek any information it requires from any employees, and employees are directed to co-operate with any request made by the Audit Committee. The Audit Committee can obtain, at the expense of the Group, outside legal or other independent professional advice, it considers necessary in the discharge of its responsibilities.

The Audit Committee shall have full and unlimited access to any information pertaining to the Group. The Audit Committee shall have direct communication channels with the internal and external auditors and with Senior Executive Management and shall be able to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other Directors and employees of the Group, whenever deemed necessary. The Audit Committee shall have access to resources that are required to perform its duties, at the expense of the Group.

Where the Audit Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities, the Audit Committee shall promptly report such matter to Bursa Securities.

Notwithstanding anything to the contrary hereinbefore stated, the Audit Committee does not have executive powers. The Chairman shall be reporting to the full Board from time to time its recommendations for consideration and implementation and the actual decision shall be the responsibility of the Board after considering the recommendation of the Audit Committee.

AUDIT COMMITTEE REPORT (cont'd)

D. Responsibilities

The following are the main responsibilities of the Audit Committee collectively:

- i. Review with the external auditors the audit plan, their audit report, major findings and Executive Management's responses thereof.
- ii. Review the external auditors' evaluation of the systems of internal control, recommendations made, and Executive Management's responses to the recommendations.
- iii. Review the assistance given by the employees to both the internal and external auditors.
- iv. Consider the nomination, appointment (and re-appointment), resignation and dismissal of the external auditors.
- v. Review and approve external audit fees, In respect of non-audit services which may be provided by the external auditors, to review the conditions and procedures to be adhered to by the external auditors in providing such services.
- vi. Consider whether there are reasons (supported by grounds) to believe that the external auditors are not suitable for re-appointment.
- vii. Review the following in respect of internal audit:
 - the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its functions;
 - the internal audit plan, programme and processes;
 - the results of internal audit assessments and ensure appropriate actions are taken to implement recommendations by the internal audit function;
 - co-ordination of external audit with internal audit; and
 - approval of any appointment or termination of the internal auditors, and appraisal of the performance of the internal audit function.
- viii. Take cognisance of resignations of any internal audit member who is engaged in-house and provide the resigning internal audit member an opportunity to submit his/her reasons for resigning.
- ix. Review the quarterly results and the year-end financial statements, prior to approval by the Board, focusing particularly on:
 - changes in, or implementation of, major accounting policy changes;
 - significant or unusual events;
 - the going concern assumption; and
 - compliance with applicable financial reporting standards and other legal requirements.
- x. Review procedures in place to ensure that the Company is in compliance with the Company's Bye-Laws, Listing Requirements of Bursa Securities, applicable rules and regulations of Bermuda, Malaysia and China, and other applicable legislative and reporting requirements.
- xi. Monitor progress made by Executive Management in improving internal controls arising from recommendations made by both external and internal auditors.
- xii. Direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts.
- xiii. Review and monitor any related party transactions and situations where a conflict of interest may arise within the Group, including any transaction, procedure or course of conduct that raises questions of Executive Management's integrity.
- xiv. Any other activities, as authorised by the Board.

AUDIT COMMITTEE REPORT (cont'd)

SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES

The Audit Committee held six (6) meetings during the financial year ended 31 December 2013. The record of attendance by each member at the Audit Committee meetings held during the year is as follows:

Name	Designation	Number of meetings attended
Chung Wai Choong	Chairman, Independent Non-Executive Director	6/6
Lim Kock Hooi	Independent Non-Executive Director	6/6
Dr. Chen Boon Heow	Independent Non-Executive Director	5/6
Allahyarham Dato' Seri Datuk Dr. Haji Jalaluddin bin Abdul Rahim (deceased on 9.1.2014)	Independent Non-Executive Director	6/6

In line with the terms of reference of the Audit Committee, the following activities were carried out by the Audit Committee during the financial year ended 31 December 2013 in the discharge of its functions and duties:

- (a) Reviewed the unaudited quarterly financial results of the Group and recommending the same to the Board for approval before release to Bursa Securities.
- (b) Reviewed and approved the external auditors' scope of work and audit plan prior to commencement of audit.
- (c) Reviewed and discussed with the external auditors, the results of the audit, the audit report and findings noted in the course of the audit of the Group's and the Company's financial statements.
- (d) Met with the external auditors and internal auditors without the presence of Executive Management and Executive Directors.
- (e) Reviewed and approved the internal audit plan and the internal auditors' scope of work.
- (f) Reviewed and discussed with the internal auditors, their audit findings and issues arising during the course of audit.
- (g) Reviewed the significant related party transactions entered into by the Group.
- (h) Reviewed the Audit Committee Report for inclusion in the 2012 Annual Report and reviewed the Statement on Risk Management and Internal Control and Statement on Corporate Governance on behalf of the Board.

AUDIT COMMITTEE REPORT (cont'd)

INTERNAL AUDIT FUNCTION

The Group has outsourced its internal audit functions to an independent professional consulting firm to assist the Audit Committee in discharging their responsibilities and duties. The role of the internal audit function is to undertake independent regular and systematic reviews of the system of internal controls so as to provide reasonable assurance that such systems continue to operate satisfactory and effectively in the Group.

On a half-yearly basis, the internal auditors present their audit reports which include their findings and recommendations to the Audit Committee for its review and deliberation. The Audit Committee also appraised the adequacy of the comments, actions and measures to be taken by Executive Management in resolving the audit issues reported and recommended for further improvement.

The internal auditors also carried out follow-up reviews to monitor the implementation of the management's action plans and measures for reporting to the Audit Committee.

In the financial year ended 31 December 2013, the internal audit covered the review of the adequacy and effectiveness of the system of internal controls of the following processes:

- Raw materials and stores
- Purchasing – operating and general
- Purchasing – capital expenditure
- Sales and collections

In addition, the internal auditors have facilitated the Group in establishing the Enterprise Risk Management Framework to manage risks. This framework assist the Board to determine the Group's level of risk tolerance, assess and manage risks, review the Group's internal controls and also to communicate the risk management policy to all employees to ensure the risk strategy is incorporated and embedded in the Group's culture and key processes.

The total cost incurred for internal audit function for the financial year ended 31 December 2013 was RM54,000.

CHUNG WAI CHOONG
Chairman of Audit Committee

19 May 2014

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Board is pleased to present its Statement on Risk Management and Internal Control which has been prepared in accordance with the Statement on Risk Management and Internal Control (Guidelines for Directors of Listed Issuers).

Board Responsibility

The Board is committed to fulfilling its responsibility of maintaining a sound risk management framework and system of internal control for the Group. The Board also recognizes that such risk management and internal controls are designed to manage the Group's risks within an acceptable level rather than to eliminate the risk of failure to achieve business objective. Therefore, it can only provide reasonable and not absolute assurance against the risks of material misstatement of management and financial information, or against financial losses and fraud or breaches of laws or regulations.

The Audit Committee ("AC") assists the Board in reviewing the adequacy and effectiveness of the systems of risk management and internal control in the Group.

Risk Management

The Board recognises that risk management is an integral part of the Group's business operations. During the financial year under review, the Group has established a formal structured enterprise risk management framework that ensures an on-going process for identifying, evaluating and reporting risks that may affect the achievement of the Group's business objectives and strategies.

As part of the risk management framework, the Group has set up a Risk Management Committee ("RMC") comprising the Executive Directors and key management staff of the operating units within the Group. The RMC meets half-yearly to consider the risks identified, to update the risk profiles and registers as well as recommend action plans to address the risks.

Key risks and action plans are discussed at Board Meetings on a need basis. The Board will ensure that Executive Management implements all action plans within the agreed timeline while the Risk Management Committee will review the status of the implementation and report the progress to the Board on quarterly basis.

Internal Audit Function

The Board acknowledges the importance of the internal audit function and is committed to articulating, implementing and reviewing the Group's system of internal control. The internal audit function has been outsourced to a professional service provider to assist the AC in evaluating and reviewing the adequacy and effectiveness of the Group's risk management and internal control system. To ensure independence, the internal auditors report directly to the AC.

The internal audit of the Group was carried out in accordance with a risk-based audit plan approved by AC. The internal audit provides an assessment of the adequacy, efficiency and effectiveness of the Group's system of internal control and where necessary, recommended improvements are presented to the AC at their quarterly meetings. The internal audit reports are also circulated to Executive Management so that the recommendations for improvements to internal controls are implemented. In addition, the internal auditors also carried out follow-up reviews to ensure their recommendations are implemented within the required time frame.

The key elements of the Group's system of internal control include:

1. A well-defined organisation structure with clearly defined lines of responsibility, authority and accountability;
2. Operational approval limits imposed on operational management in respect of day-to-day operations and transactions;
3. Regular Board and management meetings are held where information is provided to the Board and Executive Management covering financial performances and operations;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

4. Management financial statements and reports are prepared regularly for monitoring of actual performance;
5. An fully independent AC comprising exclusively of Independent Non-Executive Directors with full and unrestricted access to both internal and external auditors; and
6. The quarterly financial results and yearly audited financial statements are reviewed by the AC prior to their approval by the Board.

Assurance

The Board has considered the adequacy and effectiveness of the Group's risk management and system of internal control for the financial year under review up to date of this Statement.

Executive Management is accountable to the Board for implementing and monitoring the systems of risk management and internal control and for providing assurance to the Board that it has done so. The Managing Director and the Chief Financial Officer have given assurance to the Board that the Group's risk management and internal control system are operating adequately and effectively in all material aspects, based on the risk management framework adopted by the Group.

Based on the above, the Board is satisfied that the risk management and internal control systems in place for the financial year under review and up to the date of issuance of this statement is adequate and effective to safeguard the Group's assets and the interests of the shareholders.

There were no material losses incurred as a result of any weaknesses in internal controls that would require disclosure in this Annual Report.

The Board and the Executive Management continuously take measures to strengthen the control environment and monitor the risk management and internal control framework in meeting the Group's business objectives.

Review of this Statement by External Auditors

As required by Paragraph 15.23 of the Listing Requirements, the external auditors have reviewed this Statement. As set out in their terms of engagement, the said review procedures were performed in accordance with the Recommended Practice Guide 5 (Revised): Guidance For Auditors On Engagements To Report On The Statement On Risk Management and Internal Control Included In The Annual Report ("RPG 5"), issued by Malaysian Institute of Accountants.

RPG 5 does not require the external auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system. RPG 5 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in this Annual Report will, in fact, remedy the problems.

Based on their procedures performed, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is it factually inaccurate.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 19 May 2014.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

The Directors affirm that they are responsible for ensuring the financial statements of the Group are drawn up in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively known as IFRSs) and that the financial statements give a true and fair view of the financial position of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year. The Directors are of the opinion that the Group uses the appropriate accounting policies that are consistently applied and supported by reasonable as well as prudent judgement and estimates.

The Directors are satisfied that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable proper financial statements to be prepared.

CORPORATE SOCIAL RESPONSIBILITY

At China Automobile Parts Holdings Limited, we are committed to undertake responsible practices that impact our society and environment in a positive manner in all aspects of our business.

We aim to manage our impact on the environment, safeguard the health and safety of our employees and contribute to the community in which we operate. We also need to ensure that the products we develop comply with international safety standards. We develop ethical and responsible business policies and practices that are applied across our business operations.

During the financial year ended 31 December 2013 ("FYE 2013"), the corporate social responsibility initiatives undertaken by our Group are as follows:

The Environment

To demonstrate our responsibility towards the environment, apart from conserving energy and resources, we take measures to reduce the environmental impact of emissions and waste materials. Our Group is committed to achieve excellence in manufacturing and manage our operations in an environmentally sustainable way. As a testimony of our commitment to the environment, we are accredited with GB/T24001:2001/ISO14001:2004 "Environmental Management System" certification for the production of wheel-hub bolts, steel pins, U-bolts and wheel axles. We undertake to:

- Minimise raw material wastages
- Ensure compliance to all relevant environmental legal and other requirements and raise the environmental awareness among employees
- Prevent air, water, land and noise pollution in the workplace and its surroundings
- Integrate the environmental and quality management systems together to strive for continual improvement

In FYE 2013, environmental audits focusing on significant aspects, risks and objectives as required by the Environmental Management System standards were conducted. We have systems in place to monitor and measure noise exposure, environmental air, scheduled waste disposal and sewage discharge to comply with legal environmental requirements. We also promote environmental conscious work practices such as recycling and energy saving in order to reduce the impacts to the environment. Generally, the chassis components manufacturing industry does not have any major environmental issues or concerns because there are no emissions of noxious gases or production of toxic fluids or industrial wastes. Our manufacturing wastes are relatively minor, and we easily eliminate such wastes in an orderly manner, in accordance with applicable guidelines and regulations.

The Workplace

We aim to provide a safe and healthy environment for our employees and ensure safe practices in all aspects.

Safety inspections and regular training form part of our comprehensive measures to ensure health and safety at the workplace. We conduct safety programmes such as fire drills, safety system checks on equipment, first aid training and plant evacuation exercises.

Apart from safety at workplace, we recognise that promoting good physical and mental health, and employee motivation is an essential part of our responsibility to our employees. In this regard, various initiatives such as health related talks, sport activities, teambuilding events, motivation talks, celebrating the birthdays of our employees, annual Chinese New Year dinners and gift tokens for our employees in conjunction with national festivities are undertaken by us. Recognising the importance of our employees' welfare, our Group also provides staff accommodation to our employees where both husband and wife are employed by our Group, in addition to assisting in their children's education needs.

As our employees are our greatest asset and strength, we continue to focus on human capital development to develop our workforce to their fullest potential. We encourage our employees to continually upgrade their technical competence to keep pace with the evolving environment as well as technological advancements and to compete effectively in global markets. On-the-job training is conducted for new employees. In addition, specific process training and skills enhancement training are provided to our employees to ensure that our employees are well equipped with the necessary skills for their jobs. We were awarded "Capital of Chinese Brands - Top Ten Enterprises that Cares For Employees" (中国品牌之都十佳关爱员工星级企业) by Jinjiang City.

CORPORATE SOCIAL RESPONSIBILITY

(cont'd)

The Community

We are committed to responsibly serve our community. Our Group recognises that we can make a positive impact in the community by giving financial and other resources towards meaningful causes. We actively participated in a joint charity alliance between Jinjiang City and private enterprises – Jinjiang Private Enterprises Charity Alliance (晋江民营企业爱心公益联盟) in support of Jinjiang City's charity drive. This charity alliance reaches out to help schools in need of financial assistance by giving out new clothes, shoes and stationery during the Chinese New Year, providing donations for computer rooms as well as holding regular public activities to support the needy.

The Marketplace

Our Group is committed to ensure that the interests of all our important stakeholders – our shareholders, suppliers and customers are taken care of. We emphasise on good corporate governance practices to meet shareholders' expectations. For our suppliers, we practise transparent and fair procurement policies. For our customers, we are accredited with ISO/TS 16949 "Quality Management System" certification (conventionally acknowledged as the leading quality management benchmark for automotive products) for the production of wheel-hub bolts, steel pins and U-bolts. We are committed to supply quality products and meeting customers' satisfactions through continual improvement in technology, process and services. We are cognisant of our responsibility to our distributors and end customers, to ensure that they obtain components and products that are efficient and reliable to use. We wish to be a responsive and reliable partner to our distributors that distributes our products within their respective countries or markets.

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RMB'000	Company RMB'000
Profit for the financial year	<u>141,382</u>	<u>19,358</u>
Attributable to:		
Owners of the parent	<u>141,382</u>	<u>19,358</u>

DIVIDENDS

Dividend paid since the end of the previous financial year was as follows:

	Company RMB'000
In respect of financial year ended 31 December 2013:	
Interim dividend of RM0.01 per ordinary share paid on 30 December 2013	<u>10,674</u>

The Directors have proposed a final dividend of RMB0.029 per ordinary share amounting to RMB17,400,000 in respect of the financial year ended 31 December 2013 for shareholders' approval at the forthcoming Annual General Meeting.

The proposed final dividend if approved by the shareholders will be paid in cash in RM at the exchange rate determined on 22 April 2014 by reference to the middle exchange rate at 12:00 noon as quoted by Bank Negara Malaysia of RMB to RM and the amount of the proposed final dividend payable is as follows:

	Exchange rate	Dividend per ordinary share
RMB to RM	0.5235	1.518 sen

The financial statements for the current financial year do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2014.

No tax is payable on the dividends declared by the Company received by shareholders as it is income from a foreign source in accordance with Paragraph 28 of Schedule 6 of the Malaysian Income Tax Act, 1967.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 30 January 2013, the ordinary shares of the Company were admitted to the Official List and quoted on the Main Market of Bursa Malaysia Securities Berhad.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS' REPORT (cont'd)

ISSUE OF SHARES AND DEBENTURES

(i) In conjunction with the listing of and quotation for the Company's ordinary shares on the Main Market of Bursa Malaysia Securities Berhad, the issued and paid-up ordinary share capital of the Company was increased from USD510,000,000 to USD600,000,000 at an issue price of RM0.68 per share as follows:

- (a) issuance of 30,000,000 new ordinary shares of USD0.10 each to the Malaysian public; and
- (b) issuance of 60,000,000 new ordinary shares of USD0.10 each to selected investors.

These newly issued shares rank pari passu in all respects with the existing shares of the Company.

(ii) On 30 December 2013, the Company issued 300,000,000 bonus warrants ("Warrants") on the basis of one (1) Warrant for every two (2) existing ordinary shares in the Company. These Warrants which entitled the holder to subscribe for one (1) new share in the Company at 35 sen per share during the exercise period expiring on 29 December 2016, were admitted to the Official List and quoted on the Main Market of Bursa Malaysia Securities Berhad on 3 January 2014.

Save for the above, there were no issues of shares and debentures by the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any persons to take up unissued ordinary shares of the Company during the financial year.

DIRECTORS

The Directors who have held office since the date of the last report are:

Ong Juan Tee

Li Guo Qing

Wang YuYun

Dr. Chen Boon Heow

Chung Wai Choong

Lim Kock Hooi

Allahyarham Dato' Seri Datuk Dr. Haji Jalaluddin bin Abdul Rahim (deceased on 9 January 2014)

In accordance with the Company's Bye-Law 86(1), Mr Li Guo Qing and Dr Chen Boon Heow retire and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares and warrants of the Company and of its related corporations during the financial year ended 31 December 2013 as recorded in the Register of Directors' Shareholdings kept by the Company were as follows:

DIRECTORS' REPORT (cont'd)

Shares in the Company	[-----Number of ordinary shares of USD0.10 each-----]			
	Balance as at 1.1.2013	Bought	Sold	Balance as at 31.12.2013
<u>Indirect interests:</u>				
Ong Juan Tee ⁽¹⁾	386,250,000	-	(60,000,000)	326,250,000
Li Guo Qing ⁽²⁾	63,750,000	-	-	63,750,000
Wang YuYun ⁽³⁾	63,750,000	-	-	63,750,000

Warrants in the Company	[-----Number of warrants-----]				
	Balance as at 1.1.2013	Bonus Issue	Bought	Sold/ Converted	Balance as at 31.12.2013
<u>Indirect interests:</u>					
Ong Juan Tee ⁽¹⁾	-	163,125,000	-	-	163,125,000
Li Guo Qing ⁽²⁾	-	31,875,000	-	-	31,875,000
Wang YuYun ⁽³⁾	-	31,875,000	-	-	31,875,000

(1) Deemed interest by virtue of his interest in China Automobile Parts (BVI) Co., Ltd. ("CAP-BVI")

(2) Deemed interest by virtue of his interest in GuoTai International Holding Limited ("GuoTai")

(3) Deemed interest by virtue of her spouse, Li Guo Qing's interest in GuoTai.

By virtue of his interest in the ordinary shares of the Company, Mr Ong Juan Tee is deemed to have an interest in the share capitals of the Company's subsidiaries during the financial year.

Other than as disclosed above, none of the Directors holding office at the end of the financial year held any interest in ordinary shares, options over ordinary shares and debentures in the Company or of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial period, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors may be deemed to have derived benefits from the significant related party transactions in the ordinary course of business as disclosed in Note 24 to the financial statements.

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

CAP-BVI, a company incorporated in British Virgin Islands, ceased to be the immediate and ultimate holding company of the Company with effect from 11 April 2014.

DIRECTORS' REPORT (cont'd)

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors,

.....
Wang YuYun
Director

Kuala Lumpur, Malaysia
23 April 2014

.....
Li Guo Qing
Director

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 45 to 90 have been drawn up in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 32 to the financial statements on page 91 has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

.....
Wang YuYun
Director

.....
Li Guo Qing
Director

Kuala Lumpur, Malaysia
23 April 2014

STATUTORY DECLARATION

I, Lai Fong Ling, being the Officer primarily responsible for the financial management of China Automobile Parts Holdings Limited, do solemnly and sincerely declare that the financial statements set out on pages 45 to 91 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur this,
23 April 2014

Lai Fong Ling

Before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CHINA AUTOMOBILE PARTS HOLDINGS LIMITED (INCORPORATED IN BERMUDA)

Report on the Financial Statements

We have audited the financial statements of China Automobile Parts Holdings Limited, which comprise statements of financial position as at 31 December 2013 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 45 to 90.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs). The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International 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 our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 the Directors, 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

Other Reporting Responsibilities

The supplementary information set out in Note 32 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHINA AUTOMOBILE PARTS HOLDINGS LIMITED (INCORPORATED IN BERMUDA) (cont'd)

Other Matters

This report is made solely to the members of the Company, as a body and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO

AF : 0206
Chartered Accountants

Kuala Lumpur
23 April 2014

Law Kian Huat

2855/06/14 (J)
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	NOTE	Group 2013 RMB'000	2012 RMB'000	Company 2013 RMB'000	2012 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	7	144,708	93,846	30	-
Land use rights	8	12,630	12,906	-	-
Investments in subsidiaries	9	-	-	282,843	282,843
		157,338	106,752	282,873	282,843
Current assets					
Inventories	10	15,495	13,391	-	-
Trade and other receivables	11	139,882	127,801	164,590	36,440
Cash and cash equivalents	12	388,941	218,761	546	210
		544,318	359,953	165,136	36,650
TOTAL ASSETS		701,656	466,705	448,009	319,493
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	13	376,526	320,555	376,526	320,555
Reserves	14	266,990	72,496	70,135	(1,617)
TOTAL EQUITY		643,516	393,051	446,661	318,938
Non-current liability					
Deferred tax liabilities	15	2,333	672	-	-
Current liabilities					
Trade and other payables	16	39,936	51,931	1,348	555
Short term borrowings	17	-	12,100	-	-
Current tax liabilities		15,871	8,951	-	-
		55,807	72,982	1,348	555
TOTAL LIABILITIES		58,140	73,654	1,348	555
TOTAL EQUITY AND LIABILITIES		701,656	466,705	448,009	319,493

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	NOTE	Group		Company	
		1.1.2013 to 31.12.2013 (12 months) RMB'000	1.1.2012 to 31.12.2012 (12 months) RMB'000	1.1.2013 to 31.12.2013 (12 months) RMB'000	4.4.2012 to 31.12.2012 (9 months) RMB'000
Revenue	19	787,312	701,737	38,317	-
Cost of sales		(534,162)	(476,845)	-	-
Gross profit		253,150	224,892	38,317	-
Other income	20	11,719	10,020	166	-
Administrative expenses		(51,540)	(49,064)	(19,122)	(3,341)
Selling and distribution expenses		(10,897)	(6,820)	-	-
Finance costs		(1,329)	(2,388)	(3)	(3)
Profit/(loss) before tax	21	201,103	176,640	19,358	(3,344)
Tax expense	23	(59,721)	(45,326)	-	-
Profit/(loss) for the financial year/period		141,382	131,314	19,358	(3,344)
Other comprehensive income/(loss), net of tax: Item that may be reclassified subsequently to profit or loss					
Foreign currency translations		718	(2,365)	-	(2,348)
Total comprehensive income/(loss)		142,100	128,949	19,358	(5,692)
Profit/(loss) attributable to: Owners of the parent		141,382	131,314	19,358	(3,344)
Total comprehensive income/ (loss) attributable to: Owners of the parent		142,100	128,949	19,358	(5,692)
Earnings per ordinary share attributable to equity holders of the Company (RMB):	25				
Basic		0.24	0.26		
Diluted		0.24	0.26		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Group	Non-distributable			Distributable			Total equity RMB'000
	Share capital RMB'000	Statutory surplus reserve RMB'000	Exchange translation reserve RMB'000	Merger deficit RMB'000	Share-based payment reserve RMB'000	Retained earnings RMB'000	
Balance as at 1 January 2012	-	12,850	-	-	-	161,582	174,432
Profit for the financial year	-	-	-	-	-	131,314	131,314
Foreign currency translations	(2,025)	-	(360)	-	-	20	(2,365)
Total comprehensive income	(2,025)	-	(360)	-	-	131,334	128,949
Transactions with owners:							
Issuance of ordinary shares (Note 13)	322,580	-	2,050	-	-	-	324,630
Deferred tax arising from undistributed profits of a subsidiary	-	-	-	-	-	(672)	(672)
Reserve on business combination under common control	-	-	-	(257,135)	-	-	(257,135)
Recognition of share-based payment (Note 14)	-	-	-	-	22,847	-	22,847
Total transactions with owners	322,580	-	2,050	(257,135)	22,847	(672)	89,670
Balance as at 31 December 2012	320,555	12,850	1,690	(257,135)	22,847	292,244	393,051

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (cont'd)

Group	Non-distributable				Distributable			Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Exchange translation reserve RMB'000	Merger deficit RMB'000	Share-based payment reserve RMB'000	Retained earnings RMB'000	
Balance as at 1 January 2013	320,555	-	12,850	1,690	(257,135)	22,847	292,244	393,051
Profit for the financial year	-	-	-	-	-	-	141,382	141,382
Foreign currency translations	-	-	-	718	-	-	-	718
Total comprehensive income	-	-	-	718	-	-	141,382	142,100
Transactions with owners:								
Issuance of ordinary shares (Note 13)	55,971	67,228	-	-	-	-	-	123,199
Share issue expenses	-	(4,160)	-	-	-	-	-	(4,160)
Dividend paid (Note 26)	-	-	-	-	-	-	(10,674)	(10,674)
Transfer to statutory surplus reserve	-	-	16,352	-	-	-	(16,352)	-
Total transactions with owners	55,971	63,068	16,352	-	-	-	(27,026)	108,365
Balance as at 31 December 2013	376,526	63,068	29,202	2,408	(257,135)	22,847	406,600	643,516

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (cont'd)

Company	← Non-distributable →			← Distributable →	
	Share capital RMB'000	Share premium RMB'000	Exchange translation reserve RMB'000	Accumulated losses/ Retained earnings RMB'000	Total equity RMB'000
Balance as at 4 April 2012 (date of incorporation)	-	-	-	-	-
Loss for the financial year	-	-	-	(3,344)	(3,344)
Foreign currency translations	(2,025)	-	(360)	37	(2,348)
Total comprehensive loss	(2,025)	-	(360)	(3,307)	(5,692)
Transaction with owners:					
Issuance of ordinary shares (Note 13)	322,580	-	2,050	-	324,630
Balance as at 31 December 2012	320,555	-	1,690	(3,307)	318,938
Profit for the financial year	-	-	-	19,358	19,358
Total comprehensive income	-	-	-	19,358	19,358
Transactions with owners:					
Dividend paid (Note 26)	-	-	-	(10,674)	(10,674)
Issuance of ordinary shares (Note 13)	55,971	67,228	-	-	123,199
Share issue expenses	-	(4,160)	-	-	(4,160)
Total transactions with owners	55,971	63,068	-	(10,674)	108,365
Balance as at 31 December 2013	376,526	63,068	1,690	5,377	446,661

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	NOTE	Group		Company	
		1.1.2013 to 31.12.2013 (12 months) RMB'000	1.1.2012 to 31.12.2012 (12 months) RMB'000	1.1.2013 to 31.12.2013 (12 months) RMB'000	4.4.2012 to 31.12.2012 (9 months) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		201,103	176,640	19,358	(3,344)
Adjustments for:					
Depreciation of property, plant and equipment	7	4,184	4,063	1	-
Dividend income		-	-	(38,317)	-
Amortisation of land use rights	8	276	277	-	-
Interest income		(1,648)	(510)	(66)	-
Interest expense		1,307	2,351	-	-
Loss on disposal of property, plant and equipment		23	23	-	-
Share-based payment expense	14	-	22,847	-	-
Unrealised gain on foreign exchange		(5,065)	-	-	-
Unrealised loss on foreign exchange		4,722	-	4,714	-
Operating profit/(loss) before changes in working capital		204,902	205,691	(14,310)	(3,344)
Changes in working capital:					
Inventories		(2,104)	(2,289)	-	-
Trade and other receivables		(11,734)	8,068	(7)	-
Trade and other payables		(13,919)	6,191	820	555
Cash generated from/(used in) operations		177,145	217,661	(13,497)	(2,789)
Tax paid		(49,142)	(49,873)	-	-
Net cash from/(used in) operating activities		128,003	167,788	(13,497)	(2,789)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (cont'd)

	NOTE	Group		Company	
		1.1.2013 to 31.12.2013 (12 months) RMB'000	1.1.2012 to 31.12.2012 (12 months) RMB'000	1.1.2013 to 31.12.2013 (12 months) RMB'000	4.4.2012 to 31.12.2012 (9 months) RMB'000
CASH FLOWS USED IN INVESTING ACTIVITIES					
Advances to a subsidiary		-	-	(103,412)	(36,440)
Dividends received		-	-	10,674	-
Interest received		1,303	510	66	-
Purchase of property, plant and equipment	7	(55,082)	(1,247)	(31)	-
Proceeds from disposal of property, plant and equipment		13	36	-	-
Net cash used in investing activities		(53,766)	(701)	(92,703)	(36,440)
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		(1,307)	(2,351)	-	-
Proceeds from issuance of ordinary shares		119,039	39,403	119,039	39,403
Dividend paid	26	(10,674)	-	(10,674)	-
Drawdown of borrowings		21,100	33,000	-	-
Repayment of borrowings		(33,200)	(45,900)	-	-
Net cash from financing activities		94,958	24,152	108,365	39,403
Net increase in cash and cash equivalents		169,195	191,239	2,165	174
Effects of exchange rate changes on cash and cash equivalents		985	36	(1,829)	36
Cash and cash equivalents at beginning of financial year		218,761	27,486	210	-
Cash and cash equivalents at end of financial year	12	388,941	218,761	546	210

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

1. CORPORATE INFORMATION

China Automobile Parts Holdings Limited (中国汽车零件控股有限公司) (“the Company”) was incorporated in Bermuda as an exempted company limited by shares under the Companies Act, 1981 of Bermuda and registered as a foreign company in Malaysia under the Companies Act, 1965 of Malaysia.

The Company was listed on the Main Market of Bursa Malaysia Securities Berhad on 30 January 2013.

The registered office of the Company in Bermuda is located at Clarendon House, 2, Church Street, Hamilton HM11, Bermuda. The registered office of the Company in Malaysia is located at Suite 13.03, 13th Floor, Menara Tan & Tan, 207, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

The principal place of business of the Company is located at Neikeng Industrial Area, Shangfang Village, Neikeng Town, Jinjiang City, Fujian Province, People’s Republic of China (“PRC”). The Company’s branch office in Malaysia is located at B-5-2, Block B, Menara KIP, Jalan Sri Utara, 68100 Batu Caves, Selangor Darul Ehsan, Malaysia.

The Directors regard CAP-BVI, a company incorporated in British Virgin Islands, as the ultimate holding company as at the end of the financial year.

The financial statements are presented in Renminbi (“RMB”). All financial information presented in RMB has been rounded to the nearest thousand (RMB’000), unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 23 April 2014.

The English names of certain companies/parties referred to in the financial statements represent the unofficial translations of their registered Chinese names by management and these English names have not been legally adopted by these entities.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company as set out on pages 45 to 91 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs). However, Note 32 to the financial statements set out on page 91 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (‘MIA Guidance’) and the directive of Bursa Malaysia Securities Berhad.

The previous set of the separate financial statements of the Company was for a period of approximately 9 months as the Company was incorporated on 4 April 2012. Consequently, the amounts presented in the previous separate financial statements were not entirely comparable with those of the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to the end of the financial year.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, the accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Business combination involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the entity being combined at the combination date.

The consolidated financial statements incorporate the results of business combinations using the merger accounting method. In the consolidated financial statements of the merged enterprise, the cost of the merger should be cancelled against the nominal values of the shares/paid-up capital received. The difference between the cost of the merger and nominal values of the shares/paid-up capital received will remain and continue to be classified as part of equity of the Group and would be adjusted against suitable reserve in future, where appropriate. The combination date is the date on which one combining entity effectively obtains control of the other combining entities.

The accompanying consolidated financial statements present the financial information of the Company and its subsidiaries as if the Group had been in existence as a single economic enterprise throughout the periods presented and as if the Hong Kong incorporated subsidiary, China Automobile Parts (Hong Kong) Holding Limited, ("CAP-HK") together with its wholly-owned Chinese incorporated subsidiary, QuanZhou FenSun Automobile Parts Co., Ltd., ("FenSun") were transferred to the Company as of 1 January 2012. Assets, liabilities, revenue and expenses of the Company, CAP-HK and FenSun as shown in their individual financial statements for the period prior to the legal formation of the Company were combined or aggregated and consolidated and combined in preparing the consolidated and combined financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of consolidation (continued)

Business combination involving entities not under common control

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) Power over the investee;
- (b) Exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

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

- (a) The contractual arrangement with the other vote holders of the investee;
- (b) Rights arising from other contractual agreements; and
- (c) The voting rights of the Group and potential voting rights.

The Group re-assess 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. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and 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 interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

If 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 (that is, 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 investments 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 IAS 39 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

4.3 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing of the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Property, plant and equipment and depreciation (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Buildings	3%
Plant and machinery	10%
Office equipment	20%
Motor vehicles	20%

Construction-in-progress represents buildings under construction. The depreciation of construction-in-progress begin when they are available for use, that is, when they are in the location and condition necessary for them to be capable of operating in the manner intended by management.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.6 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss and the revaluation surplus related to those assets, if any, is transferred directly to retained earnings.

4.4 Leases

(a) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(b) Leases of land

Land use rights represent up-front payment to acquire long-term interests in the usage of land and are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated to write off the cost of the land use rights, using the straight-line method, over the period of the lease term. For clarity purpose, the Group has presented the related leased assets under a separate line item - "Land use rights" in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Investments in subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

4.6 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries) and inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal 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 future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Inventories

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

Cost is determined using the weighted average formula. The cost of raw materials and consumables comprises all costs of purchase plus the cost incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

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

4.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one (1) enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

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

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (that is, financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

Cash and cash equivalents include cash and bank balances, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial instruments (continued)

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

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

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expired. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to equity holders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial instruments (continued)

(c) Equity (continued)

The Group measures a liability to distribute non-cash assets as a dividend to the equity holders of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is re-measured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Main Market Listing Requirements.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

4.9 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by the receivable, to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables is reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

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

4.11 Taxation

(a) Income taxes

Income taxes include all taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by the subsidiary incorporated in the PRC on distributions to the immediate holding company incorporated or domiciled outside the PRC.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(i) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes payable by subsidiary in the PRC on distribution of retained earnings to the immediate holding company incorporated or domiciled outside the PRC), and real property gains taxes payable on disposal of properties, if any.

(ii) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statements of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions will be reversed to the extent of the taxable profits.

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 the deferred income taxes relate to the same taxation authority on either:

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Taxation (continued)

(a) Income taxes (continued)

(ii) Deferred tax (continued)

- (1) the same taxable entity; or
- (2) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in the profit or loss for the year unless the tax relates to items that are credited or charged, in the same or a different year, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of the reporting period.

(iii) Withholding taxes

Withholding taxes, which are payable by the subsidiary in the PRC on distribution of earnings to the immediate holding company incorporated or domiciled outside the PRC, are deducted from the dividends paid and payable to the foreign holding company and are included as part of current tax liabilities in the statement of financial position. Correspondingly, the distribution represents realisation of the temporary differences. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the end of the reporting period.

(b) Other taxes

The Group's sale of goods in the PRC are subject to Value Added Tax ("VAT") at the applicable tax rate of 17% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT together with other taxes, such as land use rights tax, recoverable from, or payable to, the tax authority is included as part of "other receivables" or "other payables" respectively in the statements of financial position.

Revenue, expenses and assets are recognised net of the amount of VAT except where:

- (i) VAT incurred on the purchases of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense items as applicable; and
- (ii) Receivables and payables are stated with the amount of VAT included.

Land use rights tax and other taxes are not based on taxable profits and are recognised as part of administrative expenses in the profit or loss.

4.12 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one (1) or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one (1) or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4.14 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plan

Pursuant to the relevant laws and regulations of the PRC, the Group has joined a basic pension insurance for the employees arranged by local Labour and Social Security Bureau, whereby the Group makes contributions to the pension insurance at the applicable rates and bases agreed with the governmental bureau. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the year in which the employees render their services. When employees retire, the said governmental bureau shall be responsible for the payment of the basic pension benefits to the retired employees.

(c) Share-based payments

Equity-settled share-based payment transactions between the owner and key management personnel of the Group are recognised as staff costs in profit or loss over the vesting periods of the grants with a corresponding increase in equity.

The total amount to be recognised as compensation expense is determined by reference to the fair value of the shares at the date of the grant and the number of shares to be vested by the vesting date.

Any proceeds received net of any directly attributable transaction costs are credited to equity when the shares are granted and vested.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Foreign currencies

(a) Functional and presentation currency

The financial statements of the entities in the Group are prepared using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Group and the Company are presented in RMB, unless otherwise stated.

The Company changed its functional currency from USD to RMB from 1 January 2013 prospectively as management opined that RMB is the currency that most faithfully represents the economic effects of the Company's underlying transactions, events and conditions.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(c) Foreign operations

Financial statements of foreign operations are translated at end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of profit or loss and other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

4.16 Intangible assets

The costs incurred for the registrations of trademarks are immaterial and written off to the profit or loss in the financial period in which it is incurred.

Research expenditure including the design and production of prototypes of new samples are written off to the profit or loss in the financial period in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(b) Interest income

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

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

4.18 Operating segments

Operating segments are defined as components of the Group that:

- (a) engages in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:
 - (i) the combined reported profit of all operating segments that did not report a loss; and
 - (ii) the combined reported loss of all operating segments that reported a loss.
- (c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds, if any, would result in a restatement of prior year segment data for comparative purposes.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

4.20 Fair value measurements

The fair value of an asset or a liability, (except for share-based payment) is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the assets or liability. The Group has considered the following characteristics when determining fair value:

- (a) The condition and location of the asset; and
- (b) Restrictions, if any, on the sale or use of the asset.

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

The fair value of a financial or non-financial liability or an entity's own equity instruments assumes that:

- (a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

5. ADOPTION OF NEW IFRSs AND AMENDMENT TO IFRSs

5.1 Adoption of new and amended International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), International Financial Reporting Interpretations Committee (“IFRIC”) Interpretations and Standing Interpretations Committee (“SIC”) Interpretations

The Group and Company have adopted all of the following IFRSs and IFRIC Interpretations that were effective on or before 1 January 2013 for the preparation of the financial statements for the financial year ended 31 December 2013.

International Financial Reporting Standards (“IFRSs”)

Title	Effective date
<i>Government Loans</i> (Amendments to IFRS 1)	1 January 2013
<i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i> (Amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2013
<i>Annual Improvements to IFRSs 2009–2011 Cycle</i>	1 January 2013
<i>Disclosures—Offsetting Financial Assets and Financial Liabilities</i> (Amendments to IFRS 7)	1 January 2013
IFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
IFRS 11 <i>Joint Arrangements</i>	1 January 2013
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
IFRS 13 <i>Fair Value Measurement</i>	1 January 2013

International Accounting Standards (“IASs”)

Title	Effective date
<i>Presentation of Items of Other Comprehensive Income</i> (Amendments to IAS 1)	1 July 2012
IAS 19 <i>Employee Benefits</i>	1 January 2013
IAS 27 <i>Separate Financial Statements</i>	1 January 2013
IAS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2013

International Financial Reporting Interpretations Committee (“IFRIC”) Interpretations

Title	Effective date
IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013

The adoption of the above IFRSs and IFRIC Interpretations did not have material impact on the financial position and results of the Group and the Company except for the new disclosure and presentation requirements for the financial year ended 31 December 2013.

5.2 New IFRSs that have been issued, but not yet effective and not yet adopted

The Group and the Company have not adopted the following IFRSs that have been issued but are only effective for annual financial periods as stated below:

Title	Effective date
Amendments to IAS 19 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to IAS 36 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to IAS 39 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
<i>Investment Entities</i> (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014
<i>Offsetting Financial Assets and Financial Liabilities</i> (Amendments to IAS 32)	1 January 2014
Annual Improvements 2010 - 2012 Cycle	1 July 2014
Annual Improvements 2011 - 2013 Cycle	1 July 2014
IFRIC 21 <i>Levies</i>	1 January 2014
<i>Mandatory Effective Date and Transition Disclosures</i> (Amendments to IFRS 9 (2009), IFRS 9 (2010) and IFRS 7)	Available for application

The Group is in the process of assessing the impact of implementing these accounting standards, amendments and interpretations, since the effects would only be observable for the future financial years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no changes in estimates at the end of the reporting period.

6.2 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements.

(a) Withholding tax on dividend

The Group is subject to withholding tax on dividends in the tax jurisdiction of the PRC. According to the New Corporate Income Tax Law ("CIT") and the Detailed Implementation Regulations ("DIR"), dividends distributed to a foreign investor by a Foreign Invested Enterprises ("FIE") in the PRC would be subject to withholding tax of 10%. The Chinese tax authorities have granted a special tax concession, which states that dividends distributed to foreign investors out of the earnings from 1 January 2008 of a FIE's profit, arising in year 2008 and beyond, shall be subject to withholding tax of 10%, which is subject to reduction as provided by the applicable double taxation treaty.

According to the Arrangement Between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income and Prevention of Tax Evasion ("Arrangement for Avoidance of Double Taxation"), withholding tax on dividend to a Hong Kong company, which owns directly at least 25% of the capital of the subsidiary in the PRC, is 5%, whereas in any other case, 10% of the dividend.

During the current financial year, the Directors have reconsidered the above tax exposure in the light of the dividend policy and accordingly, have estimated the deferred tax liabilities in respect of the temporary differences associated with the undistributed profits of the PRC subsidiaries based on the prevailing applicable withholding tax rate of 5%. However, actual applicable withholding tax rate at the time of distribution could differ.

(b) Land use rights

The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance leases in accordance with IAS 17 *Leases*. For clarity purposes, the Group has presented the related leased assets under a separate line item "Land use rights" in the statements of financial position.

(c) Share-based transaction

In the previous financial year, the Group assessed and recognised the shares transfer arrangement from the ultimate shareholder to a company owned by the Managing Director as an equity-settled share-based payment in accordance with IFRS 2 *Share-based Payment*. Details are disclosed in Note 14(iii) to the financial statements.

(d) Contingent liabilities

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.3 Key sources of estimation uncertainty

The following are 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.

(a) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment as disclosed in Note 4.3 to the financial statements based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation charge for future period is adjusted if there are significant changes from previous estimates.

(b) Income taxes

The Group has exposures to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are also claims for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amount that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

(c) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(d) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

(e) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

7. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2013 RMB'000	Additions RMB'000	Disposals RMB'000	Reclassification RMB'000	Balance as at 31.12.2013 RMB'000
Cost					
Buildings	90,431	-	-	17,000	107,431
Plant and machinery	11,674	1,832	(94)	-	13,412
Office equipment	660	50	-	-	710
Motor vehicles	185	-	-	-	185
Construction-in-progress	-	53,200	-	(17,000)	36,200
	102,950	55,082	(94)	-	157,938

	Balance as at 1.1.2013 RMB'000	Depreciation charge for the financial year RMB'000	Disposals RMB'000	Balance as at 31.12.2013 RMB'000
Accumulated depreciation				
Buildings	3,818	2,863	-	6,681
Plant and machinery	5,042	1,168	(58)	6,152
Office equipment	211	117	-	328
Motor vehicles	33	36	-	69
	9,104	4,184	(58)	13,230

Group	Balance as at 1.1.2012 RMB'000	Additions RMB'000	Disposals RMB'000	Balance as at 31.12.2012 RMB'000
Cost				
Buildings	90,431	-	-	90,431
Plant and machinery	10,710	1,090	(126)	11,674
Office equipment	596	64	-	660
Motor vehicles	92	93	-	185
	101,829	1,247	(126)	102,950

	Balance as at 1.1.2012 RMB'000	Depreciation charge for the financial year RMB'000	Disposals RMB'000	Balance as at 31.12.2012 RMB'000
Accumulated depreciation				
Buildings	954	2,864	-	3,818
Plant and machinery	4,047	1,062	(67)	5,042
Office equipment	98	113	-	211
Motor vehicles	9	24	-	33
	5,108	4,063	(67)	9,104

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Balance as at 1.1.2013 RMB'000	Additions RMB'000	Disposals RMB'000	Balance as at 31.12.2013 RMB'000
Cost				
Office equipment	-	31	-	31
Accumulated depreciation				
Office equipment	-	1	-	1
	Balance as at 1.1.2013 RMB'000	Depreciation charge for the financial year RMB'000	Disposals RMB'000	Balance as at 31.12.2013 RMB'000
Carrying amounts				
	2013 RMB'000	Group 2012 RMB'000	2013 RMB'000	Company 2012 RMB'000
Buildings	100,750	86,613	-	-
Plant and machinery	7,260	6,632	-	-
Office equipment	382	449	30	-
Motor vehicles	116	152	-	-
Construction-in-progress	36,200	-	-	-
	144,708	93,846	30	-

- (i) Property, plant and equipment of the Group with carrying amounts of RMB144,678,000 as at 31 December 2013 (2012: RMB93,846,000) are located in the PRC.
- (ii) As at 31 December 2013, the Group's buildings with a carrying amount of RMB100,750,000 (2012: RMB86,613,000) were charged as collateral for credit facilities granted to a subsidiary.

8. LAND USE RIGHTS

	Group	
	2013 RMB'000	2012 RMB'000
Cost		
Balance as at 1 January	13,779	13,779
Accumulated amortisation		
Balance as at 1 January	873	596
Charge for the financial year	276	277
Balance as at 31 December	1,149	873
Carrying amount	12,630	12,906

The land use rights which are for a period of fifty (50) years is in relation to the subsidiary's industrial land situated in the PRC. These rights have also been charged as collateral for credit facilities granted to a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2013 RMB'000	2012 RMB'000
Unquoted equity shares, at cost	282,843	282,843

The details of the subsidiaries as at 31 December 2013 are as follows:

Subsidiary of the Company	Place of incorporation	Effective interest in equity		Principal activities
		2013	2012	
CAP-HK#	Hong Kong Special Administrative Region	100%	100%	Investment holding
<u>Subsidiary of CAP-HK</u>				
FenSun#	PRC	100%	100%	Manufacturing, marketing and trading of automobile chassis components

Audited by firms of auditors other than Messrs. BDO

The auditors' report on CAP-HK's financial statements for the financial year ended 31 December 2013 was qualified due to the non-consolidation of its financial statements with those of FenSun in accordance with the requirements of Hong Kong Financial Reporting Standards ("HKFRSs"). As CAP-HK is merely an investment holding company, its contribution is not significant to the Group and the financial statements of CAP-HK and its subsidiary, FenSun has been included in the consolidated financial statements of the Group. Consequently, the qualified audit opinion would not have any significant impact on the Group as a whole.

10. INVENTORIES

	Group	
	2013 RMB'000	2012 RMB'000
At cost		
Raw materials	4,577	3,885
Work-in-progress	1,767	812
Finished goods	9,151	8,694
	15,495	13,391

Cost of inventories of the Group recognised as cost of sales during the current financial year amounted to RMB481,461,000 (2012: RMB430,229,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

11. RECEIVABLES

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Trade and other receivables				
Trade receivables - third parties	138,561	127,731	-	-
Other receivables	345	70	-	-
Amount owing from subsidiaries	-	-	164,583	36,440
Loans and receivables	138,906	127,801	164,583	36,440
Deposits and prepayments				
Deposits	7	-	7	-
Prepayments	969	-	-	-
	976	-	7	-
	<u>139,882</u>	<u>127,801</u>	<u>164,590</u>	<u>36,440</u>

- (i) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group are sixty (60) days. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.
- (ii) The currency exposure profile of receivables are as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Hong Kong Dollar	-	-	27,247	-
Renminbi	139,875	127,801	-	-
United States Dollar	7	-	137,343	36,440
	<u>139,882</u>	<u>127,801</u>	<u>164,590</u>	<u>36,440</u>

- (iii) The ageing analysis of trade receivables of the Group are as follows:

	Group	
	2013 RMB'000	2012 RMB'000
Neither past due nor impaired	134,459	127,731
Past due but not impaired - 61 to 90 days	4,102	-
	<u>138,561</u>	<u>127,731</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

11. RECEIVABLES (continued)

(iii) The ageing analysis of trade receivables of the Group are as follows (continued):

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Trade receivables of the Group of more than 37% (2012: 43%) arise from customers with more than eight (8) years of business relationship as at 31 December 2013 with the subsidiary concerned and have no records of default during the financial year.

None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables of the Group that are past due but not impaired are unsecured in nature.

(iv) The credit quality of trade receivables as at the end of reporting period were assessed as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Counterparties without external credit ratings		
Neither past due nor impaired:-		
Group A	6,859	-
Group B	127,600	127,731
	<hr/>	<hr/>
	134,459	127,731
Past due but not impaired:-		
Group B	4,102	-
	<hr/>	<hr/>
	138,561	127,731
	<hr/>	<hr/>

Group A refers to new customers (less than 12 months).

Group B refers to existing customers (more than 12 months) with no defaults in the past.

(v) Amount owing from subsidiaries are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(vi) Information on the financial risk of trade and other receivables is disclosed in Note 29 to the financial statements.

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	298,941	218,761	546	210
Fixed deposits with banks	90,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	388,941	218,761	546	210
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

12. CASH AND CASH EQUIVALENTS (continued)

(i) The currency exposure profile of cash and cash equivalents are as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Hong Kong Dollar	9	12	5	6
Renminbi	388,391	218,545	-	-
Ringgit Malaysia	494	13	494	13
United States Dollar	47	191	47	191
	<u>388,941</u>	<u>218,761</u>	<u>546</u>	<u>210</u>

(ii) Information on financial risk of cash and cash equivalents is disclosed in Note 29 to the financial statements.

13. SHARE CAPITAL

	Group and Company			
	2013		2012	
	Number of shares '000	RMB'000	Number of shares '000	RMB'000
Ordinary shares of USD0.10 each:				
Authorised:				
Balance as at 1 January 2013				
/4 April 2012	1,000,000	628,540	100	63 [^]
Creation during the financial year	-	-	999,900	628,477 [^]
Balance as at 31 December	<u>1,000,000</u>	<u>628,540</u>	<u>1,000,000</u>	<u>628,540</u>
Issued and fully paid:				
Balance as at 1 January 2013				
/4 April 2012	510,000	320,555	-*	-* [^]
Issued during the financial year	90,000	55,971	510,000	322,580 [^]
Exchange differences	-	-	-	(2,025)
Balance as at 31 December	<u>600,000</u>	<u>376,526</u>	<u>510,000</u>	<u>320,555</u>

* Negligible, less than RMB1,000

[^] Converted at the historical rates of RMB6.2854/USD1.00 and RMB6.2189/USD1.00 on 4 April 2012 and 30 January 2013 respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

13. SHARE CAPITAL (continued)

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from USD510,000,000 to USD600,000,000 by way of an initial public offering at an issue price of RM0.68 per share, as follows:

- (a) issuance of 30,000,000 new ordinary shares of USD0.10 each to the Malaysian public; and
- (b) issuance of 60,000,000 new ordinary shares of USD0.10 each to selected investors.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per share at all shareholders' meetings of the Company. All ordinary shares rank pari passu with regards to the Company's residual assets.

14. RESERVES

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Non-distributable				
Share premium	63,068	-	63,068	-
Statutory surplus reserve	29,202	12,850	-	-
Exchange translation reserve	2,408	1,690	1,690	1,690
Merger deficit	(257,135)	(257,135)	-	-
	(162,457)	(242,595)	64,758	1,690
Share-based payment reserve	22,847	22,847	-	-
Distributable				
Retained earnings/ (Accumulated losses)	406,600	292,244	5,377	(3,307)
	<u>266,990</u>	<u>72,496</u>	<u>70,135</u>	<u>(1,617)</u>

- (i) Share premium

	Group and Company	
	2013 RMB'000	2012 RMB'000
Issuance of 90,000,000 new ordinary shares at a premium of RM0.37 (USD0.12) per share	67,228	-
Share issue expenses	(4,160)	-
	<u>63,068</u>	<u>-</u>

- (ii) Statutory surplus reserve

Pursuant to applicable PRC regulations, the subsidiary in the PRC is required to allocate 10% of its net profit for the financial year (after offsetting prior year losses, if any) to the statutory surplus reserve until it reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to equity holders. The statutory surplus reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase the registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

14. RESERVES (continued)

(iii) Share-based payment reserve

In the previous financial year, 33,750,000 ordinary shares in the Company received by GuoTai International Holding Limited ("GuoTai"), a company owned by Mr Li Guo Qing, from Mr Ong Juan Tee was dealt with as an equity settled share-based payment in accordance with IFRS 2 *Share-based Payment*. The fair value of the subject shares of RMB22,847,000 on the grant date had been recognised in profit or loss, with a corresponding increase in equity as there were no terms and vesting conditions attached to the subject shares to GuoTai.

This reserve is distributable upon transfer to retained earnings.

(iv) Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment of the Group in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(v) Merger deficit

The merger deficit arose from the merger of CAP-HK and FenSun and is based on the difference between the amount recorded as cost of merger, which comprised the share capitals issued by the Company and CAP-HK of RMB282,843,000 and RMB25,122,000 respectively, and the nominal value of CAP-HK's and FenSun's share capitals which were merged under the pooling of interest method of accounting as follows:

	RMB'000
Cost of merger	307,965
Share capitals of CAP-HK and FenSun	(50,830)
	<hr/>
Merger deficit	257,135
	<hr/>

15. DEFERRED TAX LIABILITIES

The deferred tax liabilities of the Group are made up of the following:

	Taxable temporary differences RMB'000	Total RMB'000
Balance as at 1 January 2013	672	672
Recognised in profit or loss (Note 23)	3,658	3,658
Reversal of temporary differences	(1,997)	(1,997)
	<hr/>	<hr/>
Balance as at 31 December 2013	2,333	2,333
	<hr/>	<hr/>
Balance as at 1 January 2012	-	-
Recognised in equity	672	672
	<hr/>	<hr/>
Balance as at 31 December 2012	672	672
	<hr/>	<hr/>

The Group is subject to income taxes in the tax jurisdiction in the PRC. According to the New Corporate Income Tax Law ("CIT") and the Detailed Implementation Regulations ("DIR") of the PRC, dividends distributed to a foreign investor by Foreign Invested Enterprises ("FIE") incorporated in the PRC would be subject to a withholding tax of 5% to 10%. The PRC tax authorities have granted a special tax concession which states that from 1 January 2008 onwards, a FIE's profit arising in year 2008 and beyond, distributed to the foreign investors as dividends shall be subject to withholding tax of 10%, which is subject to reduction as provided by any applicable double taxation treaty.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

15. DEFERRED TAX LIABILITIES (continued)

In the current financial year, the Group has reconsidered the above tax exposure in the light of the prevailing dividend policy and accordingly, has estimated the deferred tax liabilities in respect of the temporary differences associated with the undistributed profits of the PRC subsidiary based on the prevailing applicable withholding tax rate of 5%.

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Trade payables				
Third parties	24,802	42,024	-	-
Other payables and accruals				
Amount owing to directors	706	-	665	-
Other payables	8,210	6,510	-	9
Accruals	6,218	3,397	683	546
	15,134	9,907	1,348	555
	<u>39,936</u>	<u>51,931</u>	<u>1,348</u>	<u>555</u>

- (i) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group vary from thirty (30) to sixty (60) days (2012: 30 to 60 days).
- (ii) The currency exposure profile of trade and other payables are as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Renminbi	38,576	51,326	-	-
Ringgit Malaysia	1,348	546	1,348	546
Hong Kong Dollar	12	50	-	-
United States Dollar	-	9	-	9
	<u>39,936</u>	<u>51,931</u>	<u>1,348</u>	<u>555</u>

- (iii) Information on financial risk of trade and other payables is disclosed in Note 29 to the financial statements.

17. SHORT TERM BORROWINGS

	Group	
	2013 RMB'000	2012 RMB'000
Secured		
Short term loans	-	7,100
Unsecured		
Short term loans	-	5,000
Total short term borrowings	<u>-</u>	<u>12,100</u>

- (i) All borrowings are denominated in RMB.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

17. SHORT TERM BORROWINGS (continued)

(ii) The carrying amounts of the collateral for the secured short term loans are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
Secured by:		
Land	12,630	12,906
Buildings	100,750	86,613
	113,380	99,519

(iii) The unsecured short term loans are jointly guaranteed by a Director and a third party corporation.

(iv) Information on financial risk of borrowings is disclosed in Note 29 to the financial statements.

18. CAPITAL COMMITMENTS

	Group	
	2013	2012
	RMB'000	RMB'000
Capital expenditure in respect of purchase/ construction of property, plant and equipment:		
Contracted but not provided for	6,000	-
Approved but not contracted for	9,423	31,100
	15,423	31,100

19. REVENUE

	Group		Company	
	1.1.2013 to 31.12.2013 (12 months) RMB'000	1.1.2012 to 31.12.2012 (12 months) RMB'000	1.1.2013 To 31.12.2013 (12 months) RMB'000	4.4.2012 to 31.12.2012 (9 months) RMB'000
Dividend income	-	-	38,317	-
Sales of goods	787,312	701,737	-	-
	787,312	701,737	38,317	-

20. OTHER INCOME

	Group		Company	
	1.1.2013 to 31.12.2013 (12 months) RMB'000	1.1.2012 to 31.12.2012 (12 months) RMB'000	1.1.2013 to 31.12.2013 (12 months) RMB'000	4.4.2012 to 31.12.2012 (9 months) RMB'000
Gain on disposal of scrap inventories	4,906	8,683	-	-
Gain on foreign exchange				
Realised	100	827	100	-
Unrealised	5,065	-	-	-
Interest income	1,648	510	66	-
	11,719	10,020	166	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

21. PROFIT/(LOSS) BEFORE TAX

NOTE	Group		Company	
	1.1.2013 to 31.12.2013 (12 months) RMB'000	1.1.2012 to 31.12.2012 (12 months) RMB'000	1.1.2013 to 31.12.2013 (12 months) RMB'000	4.4.2012 to 31.12.2012 (9 months) RMB'000
Profit/(loss) before tax is arrived at after charging:				
Auditors' remuneration				
- statutory audit				
- current year	443	538	406	81
- (over)/under provision in respect of prior year	(75)	-	120	-
- other services	101	47	101	47
Depreciation of property, plant and equipment	7	4,184	1	-
Amortisation of land use rights	8	276	-	-
Interest expense		1,307	-	-
Directors' remuneration:				
- fees				
current year	680	424	680	424
under provision in prior year	50	-	50	-
- salaries and other benefits	5,415	2,048	-	-
- share-based payment expense	14	22,847	-	-
Land use rights tax		78	-	-
Listing expenses		11,949	11,333	2,757
Loss on disposal of property, plant and equipment		23	-	-
Loss on foreign exchange				
- realised	448	30	-	30
- unrealised	4,722	-	4,714	-
Rental expense		47	17	-
and crediting:				
Gain on disposal of scrap inventories	20	4,906	-	-
Gain on foreign exchange				
- realised	20	100	100	-
- unrealised	20	5,065	-	-
Interest income	20	1,648	66	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

22. EMPLOYEE BENEFITS

	Group		Company	
	1.1.2013 to 31.12.2013 (12 months) RMB'000	1.1.2012 to 31.12.2012 (12 months) RMB'000	1.1.2013 to 31.12.2013 (12 months) RMB'000	4.4.2012 to 31.12.2012 (9 months) RMB'000
Wages, salaries and other benefits	40,916	27,762	-	-
Share-based payment expense (Note 14)	-	22,847	-	-
Compulsory social security contributions	2,243	2,149	-	-
	<u>43,159</u>	<u>52,758</u>	<u>-</u>	<u>-</u>

Included in employee benefits is Executive Directors' salaries and other benefits of RMB5,415,000 (2012: RMB24,895,000) for the current financial year.

23. TAX EXPENSE

	Group	
	1.1.2013 to 31.12.2013 (12 months) RMB'000	1.1.2012 to 31.12.2012 (12 months) RMB'000
Current tax expense based on the profit for the financial year - PRC income tax	56,063	45,326
Deferred tax (Note 15) Relating to origination and reversal of temporary differences	3,658	-
	<u>59,721</u>	<u>45,326</u>

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group are as follows:

	Group	
	1.1.2013 to 31.12.2013 (12 months) RMB'000	1.1.2012 to 31.12.2012 (12 months) RMB'000
Profit before tax	<u>201,103</u>	<u>176,640</u>
Tax at the PRC statutory tax rate at 25%	50,276	44,160
Tax effect in respect of:		
Non-deductible expenses	5,955	1,166
Non-taxable income	(168)	-
Expected withholding tax on undistributable profits of PRC subsidiary	3,658	-
	<u>59,721</u>	<u>45,326</u>

The Company was incorporated in Bermuda as an exempted company and as such, is not subject to taxation under the Bermuda's tax laws.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

24. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group and the Company if the Group and the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

Related parties of the Group include:

- (i) Direct and indirect subsidiaries as disclosed in Note 9 to the financial statements;
- (ii) Key management personnel, which comprises persons (including the Directors of the Group) having authority and responsibility for planning, deciding and controlling the activities of the Group directly or indirectly; and
- (iii) Entities in which certain Directors, who are also the substantial shareholders of the Company, have substantial shareholding interests.

(b) Significant related party transactions

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

	Group		Company	
	1.1.2013 to 31.12.2013 (12 months) RMB'000	1.1.2012 to 31.12.2012 (12 months) RMB'000	1.1.2013 to 31.12.2013 (12 months) RMB'000	4.4.2012 to 31.12.2012 (9 months) RMB'000
Joint guarantee given by a Director, Li Guo Qing and a third party corporation for credit facilities granted to FenSun	5,000	5,000	-	-
Dividend income from CAP-HK	-	-	38,317	-
	<hr/>	<hr/>	<hr/>	<hr/>

The related party transactions described above have been carried out on negotiated and mutually agreed terms and conditions.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, including any Director (whether executive or otherwise) of the Group and of the Company.

The remuneration of the key management personnel during the financial year was as follows:

	Group	
	1.1.2013 to 31.12.2013 (12 months) RMB'000	1.1.2012 to 31.12.2012 (12 months) RMB'000
Short term employee benefits including share-based payment:		
Managing Director	3,701	24,291
Executive Director	1,714	604
Senior management	294	-
	<hr/>	<hr/>
	5,709	24,895
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

25. EARNINGS PER SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	1.1.2013 to 31.12.2013 (12 months)	1.1.2012 to 31.12.2012 (12 months)
Profit attributable to equity holders of the parent (RMB'000)	141,382	131,314
Weighted average number of ordinary share in issue ('000)	510,000	510,000
Effect of public issue ('000)	82,850	-
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share ('000)	592,850	510,000
Basic earnings per ordinary shares (RMB)	0.24	0.26

(b) Diluted

The Group's diluted earnings per ordinary share equals basic earnings per ordinary share for the financial year ended 31 December 2013 as the 300,000,000 warrants which were issued on 30 December 2013 are only exercisable and convertible with effect from 3 January 2014.

The Group has no convertible securities which diluted the earnings per ordinary share for the financial year ended 31 December 2012.

26. DIVIDENDS

	Group and Company		Group		Company	
	1.1.2013 to 31.12.2013 (12 months)		1.1.2012 to 31.12.2012 (12 months)		4.4.2012 to 31.12.2012 (9 months)	
	Dividend per share RMB	Amount of dividend RMB'000	Dividend per share RMB	Amount of dividend RMB'000	Dividend per share RMB	Amount of dividend RMB'000
In respect of financial year ended 31 December 2013						
- Interim dividend of RMB0.01 per ordinary share paid	0.02	10,674	-	-	-	-

The Directors have proposed a final dividend of RMB0.029 per ordinary share amounting to RMB17,400,000 in respect of the financial year ended 31 December 2013 for shareholders' approval at the forthcoming Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

26. DIVIDENDS (continued)

The proposed final dividend if approved by the shareholders will be paid in cash in RM at the exchange rate determined on 22 April 2014 by reference to the middle exchange rate at 12:00 noon as quoted by Bank Negara Malaysia of RMB to RM and the amount of the proposed dividend payable is as follows:

	<u>Exchange rate</u>	<u>Dividend per ordinary share</u>
RMB to RM	0.5235	1.518 sen

The financial statements for the current financial year do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2014.

No tax is payable on the dividends declared by the Company received by shareholders as it is income from a foreign source in accordance with Paragraph 28 of Schedule 6 of the Malaysian Income Tax Act, 1967.

27. OPERATING SEGMENTS

The Company and its subsidiaries are principally engaged in manufacturing, marketing and trading of automobile chassis components.

The Company has two (2) reportable segments that are organised and managed separately according to the nature of products and services, specific expertise and technologies requirements, which requires different business and marketing strategies. The reportable segments are summarised as follows:

(a) Manufacturing

Manufacturing and selling of u-bolts, wheel axles, wheel-hub bolts and steel pins.

(b) Trading

Purchasing and selling of torque-rod bushings.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of gross profit as reported in the statement of profit or loss and other comprehensive income not including non-recurring losses, if any, and also excluding the effects of retirement benefit obligations.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

	Manufacturing RMB'000	Trading RMB'000	Total RMB'000
1.1.2013 to 31.12.2013			
Revenue from external customers	641,763	145,549	787,312
Gross profit	205,313	47,837	253,150
1.1.2012 to 31.12.2012			
Revenue from external customers	561,973	139,764	701,737
Gross profit	180,428	44,464	224,892

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

27. OPERATING SEGMENTS (continued)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities to the corresponding amounts of the Group are as follows:

	Group	
	1.1.2013 to 31.12.2013 (12 months) RMB'000	1.1.2012 to 31.12.2012 (12 months) RMB'000
Revenue		
Total revenue for reportable segments	787,312	701,737
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	787,312	701,737
Profit for the financial year		
Gross profit for reportable segments	253,150	224,892
Unallocated amounts	(52,047)	(25,405)
Share-based payment expenses	-	(22,847)
Profit before tax	201,103	176,640
Tax expense	(59,721)	(45,326)
Profit for the financial year of the Group per consolidated statement of profit or loss and other comprehensive income	141,382	131,314

The Group's assets and liabilities are managed on an entity basis and are not allocated to any of the operating segments.

The Group's business is entirely operated within the PRC, and no segment revenue and segment assets based on geographical location of customers and assets are presented.

Revenue from five (5) customers in the manufacturing and trading segment represent approximately RMB181,788,000 or 23.1% (2012: RMB177,024,000 or 25.2%) of the Group's revenue.

The following are major customers with revenue equal or more than five (5) percent of the Group revenue:

	Revenue		
	1.1.2013 to 31.12.2013 (12 months) RMB'000	1.1.2012 to 31.12.2012 (12 months) RMB'000	Segment
Customer A	38,659	40,535	Manufacturing and trading
Customer B	37,672	37,354	Manufacturing and trading
Customer C	36,670	35,632	Manufacturing and trading
Customer D	34,603	31,780	Manufacturing and trading
Customer E	34,184	31,723	Manufacturing and trading
	181,788	177,024	

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

28. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the capital management of the Group is to ensure that the entities of the Group would be able to continue as going concerns whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies, or processes during the financial years ended 31 December 2012 and 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's strategy is to maintain the balance between debt and equity and to ensure sufficient operating cash flows to repay its liabilities as and when they fall due. The Group includes within net debt, short term borrowings, trade and other payables less cash and bank balances. Capital represents equity attributable to the owners of the parent.

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Short term borrowings	-	12,100	-	-
Trade and other payables	39,936	51,931	1,348	555
Total liabilities	39,936	64,031	1,348	555
Cash and bank balances	(298,941)	(218,761)	(546)	(186)
Net (cash)/debt	(259,005)	(154,730)	802	369

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Total capital	643,516	393,051	446,661	318,938
Net (cash)/debt	(259,005)	(154,730)	802	369
Equity	384,511	238,321	447,463	319,307
Gearing ratio (%)	*	*	0.2%	0.1%

* Gearing ratio is not presented for the Group as it was in net cash position as at 31 December 2012 and 2013

Pursuant to the requirements of Practice Note No. 17/2005 of Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding any treasury shares) and such shareholders' equity is not less than RM40 million (RMB74 million). The Group has complied with this requirement for the financial year ended 31 December 2013.

The Group is not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

28. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial assets				
Trade and other receivables	138,913	127,801	164,590	36,440
Cash and cash equivalents	388,941	218,761	546	210
	<u>527,854</u>	<u>346,562</u>	<u>165,136</u>	<u>36,650</u>
Financial liabilities				
Trade and other payables	39,936	51,931	1,348	555
Short term borrowings	-	12,100	-	-
	<u>39,936</u>	<u>64,031</u>	<u>1,348</u>	<u>555</u>

(c) Methods and assumptions used to estimate fair value

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

- (i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and short term borrowings, are reasonable approximation to fair value, either due to their short-term nature or that they are floating rate instruments that re-priced to market interest rates on or near the end of the reporting period.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to ascertain that adequate financial resources are available for the development of the Group's business whilst managing its exposure to liquidity and cash flow risks, credit risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below:

- (i) Liquidity and cash flow risks

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Liquidity and cash flow risks (continued)

	On demand or within 1 year RMB'000	Total RMB'000
Group		
2013		
Trade and other payables	39,936	39,936
2012		
Trade and other payables	51,931	51,931
Short term borrowings	12,100	12,100
	<u>64,031</u>	<u>64,031</u>
Company		
2013		
Other payables	1,348	1,348
2012		
Other payables	555	555

(ii) Credit risk

Cash deposits and trade receivables may give rise to credit risk, which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are major financial institutions and reputable organisations. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are on credit. The credit period is generally for a period of two (2) months. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via its finance department to minimise credit risk.

Exposure to credit risk

At the end of the reporting period, the maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring its trade receivables on an ongoing basis.

At the end of the reporting period, approximately 41% (2012: 47%) of the trade receivables of the Group were due from 10 customers located in the PRC.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 11 to the financial statements. Deposits with banks are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are past due but not impaired

Information regarding financial assets that are past due but not impaired is disclosed in Note 11 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market interest rates.

The exposure of the Group to interest rate risk arises primarily from its short term borrowings and cash at banks.

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk:

	Note	Weighted average effective interest rate %	Within 1 year RMB'000	Total RMB'000
Group 2013				
Fixed rate				
Fixed deposits with banks	12	3.25%	90,000	90,000
Floating rate				
Cash at banks	12	0.35%	298,811	298,811
2012				
Fixed rate				
Short term borrowings	17	8.47%	(12,100)	(12,100)
Floating rate				
Cash at banks	12	0.35%	218,513	218,513

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group and Company if interest rates at the end of each reporting period changed by ten (10) basis points with all other variables held constant:

	Group		Company	
	1.1.2013 to 31.12.2013 (12 months) RMB'000	1.1.2012 to 31.12.2012 (12 months) RMB'000	1.1.2013 to 31.12.2013 (12 months) RMB'000	4.4.2012 to 31.12.2012 (9 months) RMB'000
Profit after tax				
Increase by 0.1% (2012: 0.1%)	292	155	-	-
Decrease by 0.1% (2012: 0.1%)	(292)	(155)	-	-

The sensitivity is higher in 2013 than in 2012 because of an increase in bank balances during the financial year. The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument would fluctuate because of change in foreign exchange rates.

The Group and the Company are exposed to foreign currency risk on transactions that are denominated in currencies other than functional currency of the operating activities.

The Group has not entered into forward foreign exchange contracts during the financial year.

In view of the insignificant financial effect on the Group's and the Company's profit after tax with the possible change in exchange rates against the functional currency of the Group, the management did not separately disclose the effect of this sensitivity in the financial statements.

30. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (i) On 30 January 2013, the ordinary shares of the Company were admitted to the Official List and quoted on the Main Market of Bursa Malaysia Securities Berhad.
- (ii) On 30 December 2013, the Company issued 300,000,000 bonus warrants ("Warrants") on the basis of one (1) Warrant for every two (2) existing ordinary shares in the Company. These Warrants which entitled the holder to subscribe for one (1) new share in the Company at 35 sen per share during the exercise period expiring on 29 December 2016, were admitted to the Official List and quoted on the Main Market of Bursa Malaysia Securities Berhad on 3 January 2014.

31. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

CAP-BVI, a company incorporated in British Virgin Islands, has ceased to be the ultimate holding company of the Company with effect from 11 April 2014.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013 (cont'd)

32. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings/(accumulated loss) as at the end of the reporting period may be analysed as follows:

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Total retained earnings/ (accumulated loss) of the Group and of the Company:				
Realised	407,923	291,417	10,091	(3,307)
Unrealised	343	827	(4,714)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	408,266	292,244	5,377	(3,307)
Consolidation adjustments	(1,666)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	406,600	292,244	5,377	(3,307)

LIST OF PROPERTIES

AS AT 31 DECEMBER 2013

Registered Owner	Assets Type	Location/Title Identification	Description and Existing Use	Approximate Age of Building	Approximate Tenure	Approximate Land Area (sqm)	Approximate Built-up Area (sqm)	Date of Acquisition	Audited NBV at 31 December 2013 (RMB'000)
QuanZhou FenSun Automobile Parts Co Ltd ("FenSun")	Land use right	Shangfang village, Neikeng Town, Jinjiang City, PRC	Industrial land with four(4) buildings erected within (Buildings 1,2,3 and 4 below)	N/A	50 years (expiring on 27 July 2059)	13,123	N/A	Certificate of land use right: 9 Dec 2011	12,630
FenSun	Building	Buildings 1,2,3,4,No.1, 2nd Block, Neikeng Industrial Zone, Neikeng Town, Jinjiang City, PRC	Building 1 is a 9-storey detached building used as warehouse and office. Buildings 2, 3 and 4 comprise a 7-storey building used as dormitory (together with a convenience store and other staff facilities), a single-storey building used as production area and a 7 storey building used as production area. All three (3) buildings are attached together.	Phase I - 2 years Phase II (extension of buildings) - Less than 1 year	N/A	N/A	34,858	Certificate of building ownership: 8 Mar 2012	100,750

ANALYSIS OF SHAREHOLDINGS AND WARRANT HOLDINGS

AS AT 25 APRIL 2014

Share Capital

Authorised Share Capital	:	US\$100,000,000
Issued and Fully Paid-up Share Capital	:	US\$60,000,000
Class of Shares	:	Ordinary shares of US\$0.10 each
Voting Rights	:	One vote per shareholder on a show of hands One vote per ordinary share on a poll
Number of Shareholders	:	2,754

Distribution of Shareholdings

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
Less than 100 shares	6	0.22	148	0.00
100 – 1000 shares	166	6.03	113,968	0.02
1,001 - 10,000 shares	1,044	37.91	7,054,800	1.18
10,001 - 100,000 shares	1,278	46.40	47,782,484	7.96
100,001 – 29,999,999 shares*	256	9.30	177,868,600	29.64
Above 30,000,000 shares**	4	0.14	367,180,000	61.20
TOTAL	2,754	100.00	600,000,000	100.00

Remark:

*Less than 5% of issued shares

**5% and above of issued shares

Substantial Shareholders

	Direct No. of Shares Held	%	Indirect No. of Shares Held	%
GuoTai International Holdings Limited	183,750,000	30.63	-	-
China Automobile Parts (BVI) Co. Ltd.	88,250,000	14.71	-	-
Bridge Global Growth Fund	60,000,000	10.00	-	-
Ong Juan Tee	-	-	88,250,000 ¹	14.71
Li Guo Qing	-	-	183,750,000 ²	30.63
Wang YuYun	-	-	183,750,000 ³	30.63

Directors' Shareholdings

	Direct No. of Shares Held	%	Indirect No. of Shares Held	%
Ong Juan Tee (resigned on 16 May 2014)	-	-	88,250,000 ¹	14.71
Li Guo Qing	-	-	183,750,000 ²	30.63
Wang YuYun	-	-	183,750,000 ³	30.63
Chung Wai Choong	-	-	-	-
Lim Kock Hooi	-	-	-	-
Dr. Chen Boon Heow	-	-	-	-

Notes:

1. Deemed interest by virtue of his interest in China Automobile Parts (BVI) Co. Ltd.
2. Deemed interest by virtue of his interest in GuoTai International Holding Limited
3. Deemed interest by virtue of her spouse, Li Guo Qing's interest in GuoTai International Holding Limited

ANALYSIS OF SHAREHOLDINGS AND WARRANT HOLDINGS

AS AT 25 APRIL 2014 (cont'd)

TOP 30 SHAREHOLDERS

(without aggregating securities from different securities accounts belonging to the same registered holder)

No.	Name of Shareholders	No. of Shares Held	%
1	Guotai International Holding Limited	183,750,000	30.63
2	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for KGI Asia Ltd	90,000,000	15.00
3	Kenanga Nominees (Asing) Sdn Bhd Exempt AN for AG Stockbroking Ltd	60,000,000	10.00
4	UOBM Nominees (Asing) Sdn Bhd Exempt AN for Sanston Financial Group Limited	33,430,000	5.57
5	Kenanga Nominees (Tempatan) Sdn Bhd Pledged securities account for Tiong Thai King	11,500,000	1.92
6	RHB Nominees (Asing) Sdn Bhd Pledged securities account for HongPeng International Holdings Limited	10,375,000	1.73
7	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for OCBC Securities Private Limited (Client A/C-NR)	9,100,000	1.52
8	Kenanga Nominees (Tempatan) Sdn Bhd Pledged securities account for Chee Hong Leong	9,000,000	1.50
9	Chee Kok Chan	7,000,000	1.17
10	Tiong Thai King	6,002,800	1.00
11	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for OCBC Securities Private Limited (Client A/C-R ES)	5,800,000	0.97
12	RHB Nominees (Tempatan) Sdn Bhd Soo Wing Ching	5,171,800	0.86
13	Kumpulan Wang Simpanan Guru-Guru	5,000,000	0.83
14	Mercsec Nominees (Asing) Sdn Bhd Pledged securities account for Zhuang GuoHua	5,000,000	0.83
15	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged securities account for Chee Hong Leong (CEB)	4,000,000	0.67
16	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged securities account for Lim Willie	4,000,000	0.67
17	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged securities account for Ong Kook Liong	3,300,000	0.55
18	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged securities account for SMB Resources Sdn Bhd	3,000,000	0.50
19	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged securities account for Chew Lak Seong	3,000,000	0.50
20	Tan Jyh Yaong	3,000,000	0.50
21	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Sang Chooi Fun (MY0311)	2,400,000	0.40
22	Maybank Nominees (Tempatan) Sdn Bhd Pledged securities account for Lee Ai Chu	1,600,000	0.27
23	Chai Chat Leong	1,510,000	0.25
24	HSBC Nominees (Asing) Sdn Bhd Exempt AN for BSI SA (BSI BK SG-NR)	1,500,000	0.25
25	RHB Nominees (Tempatan) Sdn Bhd Koh Kwee Hwa	1,476,900	0.25
26	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	1,410,000	0.24
27	Hew Yew Wah	1,300,000	0.22
28	Soon Hock Teong	1,300,000	0.22
29	Khaw Lean Seng	1,295,000	0.22
30	RHB Nominees (Asing) Sdn Bhd Pledged securities account for Lin JingBo	1,227,400	0.20
		476,448,900	79.41

ANALYSIS OF SHAREHOLDINGS AND WARRANT HOLDINGS

AS AT 25 APRIL 2014 (cont'd)

No. of Warrants	: 300,000,000
Exercise Price of Warrants	: RM0.35
Exercise Period of Warrants	: 30 December 2013 to 29 December 2016
Exercise Rights	: Each warrant entitles the holder to subscribe for one new ordinary share of US\$0.10 each in the Company
Voting Rights in the Meeting of Warrant Holders	: One vote per warrant holder on a show of hands One vote per warrant on a poll.
Number of Warrant Holders	: 2,335

Distribution of Warrant Holdings

Size of Holdings	No. of Holders	% of Holders	No. of Warrants	% of Issued Warrants
Less than 100	56	2.40	2,727	0.00
100 – 1000	218	9.34	143,117	0.05
1,001 - 10,000	1,125	48.18	6,134,456	2.04
10,001 - 100,000	704	30.15	28,391,450	9.46
100,001 – 14,999,999*	230	9.85	142,186,850	47.40
Above 15,000,000**	2	0.08	123,141,400	41.05
	2,335	100.00	300,000,000	100.00

Remark:

*Less than 5% of issued warrants

**5% and above of issued warrants

Directors' Holdings

	Direct No. of Warrants Held	%	Indirect No. of Warrants Held	%
Ong Juan Tee (<i>resigned on 16 May 2014</i>)	-	-	72,885,300 ¹	24.30
Li Guo Qing	-	-	31,875,000 ²	10.63
Wang YuYun	-	-	31,875,000 ³	10.63
Chung Wai Choong	-	-	-	-
Lim Kock Hooi	-	-	-	-
Dr. Chen Boon Heow	-	-	-	-

Notes:

1. Deemed interest by virtue of his interest in China Automobile Parts (BVI) Co. Ltd.
2. Deemed interest by virtue of his interest in GuoTai International Holding Limited
3. Deemed interest by virtue of her spouse, Li Guo Qing's interest in GuoTai International Holding Limited

ANALYSIS OF SHAREHOLDINGS AND WARRANT HOLDINGS

AS AT 25 APRIL 2014 (cont'd)

TOP 30 WARRANT HOLDERS

(without aggregating securities from different securities accounts belonging to the same registered holder)

No.	Name of Warrant Holders	No. of Warrants Held	%
1	UOBM Nominees (Asing) Sdn Bhd Exempt AN for Sanston Financial Group Limited	91,266,400	30.42
2	M&A Nominee (Asing) Sdn Bhd Sanston Financial Group Limited for GuoTai International Holding Limited	31,875,000	10.63
3	RHB Nominees (Asing) Sdn Bhd Pledged securities account for HongPeng International Holdings Limited	5,187,500	1.73
4	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Tan Sew Ching (MY1749)	5,000,000	1.67
5	Kenanga Nominees (Tempatan) Sdn Bhd Pledged securities account for Tieng Thai King	5,000,000	1.67
6	Zhang Tiancai	5,000,000	1.67
7	RHB Nominees (Asing) Sdn Bhd Pledged securities account for Zhang Zhixiong	4,557,000	1.52
8	Lee Yien Ju	4,500,000	1.50
9	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)	3,705,000	1.24
10	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged securities account for Poh Seng Hee (8073193)	3,600,200	1.20
11	Oo Thiam Huat	3,450,000	1.15
12	Chang Yoke Hee	3,100,000	1.03
13	Chai Chat Leong	3,000,000	1.00
14	Chia Yew Meng	3,000,000	1.00
15	HSBC Nominees (Asing) Sdn Bhd Exempt AN for BSI SA (BSI BK SG-NR)	2,750,000	0.92
16	Foo Chong Chin	2,580,000	0.86
17	Low Kim Meng	2,100,000	0.70
18	RHB Nominees (Tempatan) Sdn Bhd Soo Wing Ching	2,005,000	0.67
19	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Sang Chooi Fun (MY0311)	2,000,000	0.67
20	Maybank Nominees (Asing) Sdn Bhd Pledged securities account for Qiang Yan	1,820,000	0.61
21	Lee Ah Yew	1,800,000	0.60
22	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged securities account for SMB Resources Sdn Bhd	1,750,000	0.58
23	Lew Mei Ling	1,657,000	0.55
24	Amsec Nominees (Tempatan) Sdn Bhd Pledged securities account for Ting Bee Too	1,600,500	0.53
25	RHB Nominees (Tempatan) Sdn Bhd Koh Kwee Hwa	1,500,000	0.50
26	Kenanga Nominees (Tempatan) Sdn Bhd Pledged securities account for Ng Li Li (010)	1,489,800	0.50
27	Oon Yew Chye	1,389,400	0.46
28	Kek Tek Huat Sendirian Berhad	1,300,000	0.43
29	Lai Han Teng	1,200,000	0.40
30	Low Kwai Leng	1,200,000	0.40
		200,382,800	66.81

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting of China Automobile Parts Holdings Limited will be held at FR 2, 1st Floor, Kuala Lumpur Golf and Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Friday, 13 June 2014 at 10:00 a.m. for the following purposes:

ORDINARY BUSINESS:

To consider and if thought fit, to pass the following ordinary resolutions:

- | | |
|--|---|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 together with the Reports of the Directors and Auditors thereon. | <i>(Please refer to Explanatory Note 1)</i> |
| 2. To approve the payment of a final dividend of RMB0.029 (equivalent to 1.518 sen) per share for the financial year ended 31 December 2013. | Ordinary Resolution 1 |
| 3. To approve the payment of Directors' Fees of RMB680,000 (approximately RM360,000) for the financial year ended 31 December 2013. | Ordinary Resolution 2 |
| 4. To re-elect Mr Li Guo Qing who retires as Director of the Company pursuant to Bye-Law 86(1) of the Company's Bye-Laws. | Ordinary Resolution 3 |
| 5. To re-elect Dr. Chen Boon Heow who retires as Director of the Company pursuant to Bye-Law 86(1) of the Company's Bye-Laws. | Ordinary Resolution 4 |
| 6. To re-appoint Messrs BDO as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting at such remuneration to be determined by the Directors of the Company. | Ordinary Resolution 5 |

SPECIAL BUSINESS:

To consider and if thought fit, to pass the following ordinary resolution:

- | | |
|---|------------------------------|
| 7. Authority to issue shares pursuant to Bye-Law 12 of the Company's Bye-Laws | |
| <p>"THAT subject always to the approvals of the relevant authorities, the Directors of the Company be and are hereby empowered pursuant to the Bye-Law 12 of the Company's Bye-Laws, to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors of the Company may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company as at the date of this Annual General Meeting and that the Directors of the Company be and are empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."</p> | Ordinary Resolution 6 |

ANY OTHER BUSINESS:

8. To transact any other business of which due notice shall have been given.

NOTICE OF FINAL DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the final dividend of RMB0.029 (equivalent to 1.518 sen) per share for the financial year ended 31 December 2013, if approved by shareholders at the Second Annual General Meeting, will be paid on 5 September 2014 to the depositors whose names appear in the Record of Depositors of the Company at the close of business on 6 August 2014.

A depositor shall qualify for entitlement to the dividend in respect of:

- Shares transferred to the Depositor's Securities Account before 4:00 p.m. on 6 August 2014 in respect of the transfers; and
- Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

LIM CHIEN JOO

Company Secretary

Kuala Lumpur, Malaysia

22 May 2014

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes:-

- i. A depositor shall not be regarded as a member entitled to attend this Annual General Meeting and to speak and vote thereat unless his/her name appears on the Record of Depositors as at 9 June 2014 (which is not less than three clear market days before the date of this Annual General Meeting) issued by Bursa Malaysia Depository Sdn. Bhd ("Bursa Depository") in accordance with the rules of Bursa Depository.
- ii. A member entitled to attend and vote at this Annual General Meeting who is the holder of two or more shares shall be entitled to appoint not more than two proxies to attend and vote in his stead. A proxy does not need to be a member. Where a member appoints more than one proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy. Provided that having a proxy to attend in his/her stead, if such member personally attends the meeting, his/her proxy shall be precluded from the meeting.

Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under Securities Industry (Central Depositories) Act 1991 of Malaysia, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

- iii. If the appointor is a corporation, the form of proxy must be executed under its common seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
- iv. The instrument appointing a proxy must reach the Registered Office of the Company in Malaysia at Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia not less than 48 hours before the time set for this Annual General Meeting or any adjournment thereof.

Explanatory Notes:-

1. Item 1 of the Agenda – Audited Financial Statements

This item of the Agenda is meant for discussion only as Bye-Law 150(1) of the Company's Bye-Laws does not require the shareholders to formally approve the Audited Financial Statements. Hence, this item of the Agenda will not put forward for voting.

2. Ordinary Resolution 6 - Authority to issue shares pursuant to Bye-Law 12 of the Company's Bye-Laws

The Company has not issued any new shares under the general mandate pursuant to Bye-Law 12 of the Company's Bye-Laws for issuance and allotment of shares up to 10% of the issued and paid-up share capital of the Company, which was approved at the First Annual General Meeting held on 18 June 2013 and which will lapse at the conclusion of this Annual General Meeting to be held on 13 June 2014. A renewal of this mandate is sought at this Annual General Meeting under proposed Ordinary Resolution 6.

This proposed Ordinary Resolution 6, if passed, will give the Directors of the Company, from the date of this Annual General Meeting, the authority to issue and allot shares from the unissued shares of the Company of up to 10% of the issued and paid-up share capital of the Company for the time being and for such purposes as the Directors of the Company may consider to be in the interest of the Company. This authority, unless revoked or varied by the Company in general meeting will expire at the conclusion of the next Annual General Meeting.

This general mandate, if passed, will provide flexibility to the Directors of the Company to allot and issue shares for any possible fund raising activities, including but not limited to the placement of shares, for the purposes of funding future investments, working capital, acquisitions and/or such other applications as the Directors of the Company deem fit.



CHINA AUTOMOBILE PARTS HOLDINGS LIMITED

(Bermuda Company No. 46416)
(Incorporated as an exempted Company in Bermuda under the Companies Act 1981)
(Malaysian Foreign Company No. 995377-M)
(Registered as a foreign Company in Malaysia under the Companies Act, 1965)

Number of ordinary shares held

FORM OF PROXY

I/We CDS No.

of.....

being a Member/Members of **CHINA AUTOMOBILE PARTS HOLDINGS LIMITED**, hereby appoint

.....

of.....

or failing him / her,

of.....

or failing him / her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Second Annual General Meeting of the Company to be held at FR 2, 1st Floor, Kuala Lumpur Golf and Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Friday, 13 June 2014 at 10:00 a.m. and at any adjournment thereof. My / Our proxy is to vote as indicated below:-

Ordinary Business		Resolution	For	Against
1.	To approve the payment of a final dividend of RMB0.029 (equivalent to 1.518 sen) per share for the financial year ended 31 December 2013.	Ordinary Resolution 1		
2.	To approve the payment of Directors' Fees of RMB680,000 (approximately RM360,000) for the financial year ended 31 December 2013.	Ordinary Resolution 2		
3.	To re-elect Mr. Li Guo Qing as Director of the Company.	Ordinary Resolution 3		
4.	To re-elect Dr. Chen Boon Heow as Director of the Company.	Ordinary Resolution 4		
5.	To re-appoint Messrs BDO as Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting at such remuneration to be determined by the Directors of the Company.	Ordinary Resolution 5		
Special Business				
6.	To authorise the Directors to issue shares pursuant to Bye-Law 12 of the Company's Bye-Laws.	Ordinary Resolution 6		

(Please indicate with a "x" as to how you wish your vote/s to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion)

Where two (2) proxies are appointed, please indicate below the proportion of your shareholdings to be represented by each proxy. In case of a vote taken by show of hands, the First Named Proxy shall vote on your behalf

First named proxy % Second named proxy %

Dated this day of , 2014

Signature of Member/Common Seal
(If shareholder is a corporation, this part should be executed under its common seal)

- NOTES:**
- i. A depositor shall not be regarded as a member entitled to attend this Annual General Meeting and to speak and vote thereat unless his/her name appears on the Record of Depositors as at 9 June 2014 (which is not less than three clear market days before the date of this Annual General Meeting) issued by Bursa Malaysia Depository Sdn. Bhd ("Bursa Depository") in accordance with the rules of Bursa Depository.
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Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under Securities Industry (Central Depositories) Act 1991 of Malaysia, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
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 - iv. The instrument appointing a proxy must reach the Registered Office of the Company in Malaysia at Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia not less than 48 hours before the time set for this Annual General Meeting or any adjournment thereof.

Fold this flap for sealing

Then fold here

**Affix
stamp**

The Company Secretary
CHINA AUTOMOBILE PARTS HOLDINGS LIMITED
(Malaysian Foreign Company No. 995377-M)
Suite 13.03, 13th Floor, Menara Tan & Tan,
207, Jalan Tun Razak
50400 Kuala Lumpur
Malaysia

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